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FINANCIAL TIMES

No. 27,434 Tuesday December 13 1977 **12p

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NEWS SUMMARY

GENERAL

Vidow of Sir Winston dies

Spencer Churchill, widow of Sir Winston, died at London flat aged 93. Mr. Churchill, her grandson, Conservative MP for South West Hampshire, died of a heart attack.

The first world war, Lady Churchill organised canteens for army workers. In the last few years she had been raised nearly £2m. for the Cross Aid to Russia.

Local problems occurred later years and to make matters worse after Churchill's death she was forced to sell her paintings, silver and furniture. Her only income, from declining investment was a State pension of a week.

'spy' passed secrets

Ministry passed top material to East German newspaper claimed. The confirmed that the "in large measure" the Federal Attorney said that the affair had been military born than Guyver, Guillaume, the spy activities forced the loss of Herr Brandt, in 1974. Page 5

He arrives

French Minister, arrived to join talks at Chequers with Callaghan, Prime Minister.

Firemen offer

to many parts of the rejected proposals for wages over two years as for settling the month. Union leaders there will be a majority against recall. The Brigades Union when the executive to-morrow to consider from regional committee.

to farm

Mark Phillips, husband of Anne, will leave the farm to become a farmer in their home, Park, Glouce.

er supremo

Greenwood, caretaker of England, since he went to the Middle is appointed manager.

rel threat

Freer-of schoolchildren soughting for so many of them were jeopardised. O-level chances, Dr. Boyson, an Opposition spokesman, said.

'in jail'

Yard is investigating that drugs have been by officers into Brixton south London.

ly plea

to operate Serpentine and Los Gatos made by Laker.

es stop

between England and France cancelled because of French seamen's against reduction of routes.

a's clause

of schoolchildren in may have to cancel rehearsal - because have not been given time to get licences. 1985 Theatres Act.

PRICE CHANGES YESTERDAY

(Prices unless otherwise indicated)

RISER

Rope 1982 2832 + 1
Rope 1982 2822 + 1
Rope 245 + 20
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FALLS

Firth (G. M.) 35 - 6
May & Hassell 352 - 10
Waddington (J.) 230 - 22
Shell Transport 338 - 16
Sudair 391 - 1
Vaal Reef 217 - 1

British Steel wins union co-operation on redundancies

BY CHRISTIAN TYLER, LABOUR EDITOR

The loss-making British Steel Corporation achieved what appeared to be a breakthrough yesterday in winning trade union co-operation for phasing out its high-cost plants.

Steel union leaders agreed to local negotiations that could bring forward by about a year the closure of steelmaking at Hartlepool, with the loss of about 1,500 jobs.

It is believed that compensation for these voluntary redundancies could be more generous than that paid out to 800 men at Clyde Iron in Scotland recently, where the total cost of closure was about £2m.

Mr. Bill Sims, chairman of the TUC steel industry committee and general secretary of the largest steel union, the Iron and Steel Trades Confederation, confirmed last night that negotiations at Hartlepool could set a pattern for other plants.

The Hartlepool talks will start a week on Friday.

The significance of yesterday's meeting between Steel Corporation officials and the TUC committee is that it is the first time that unions have declared their readiness to acquiesce in a major closure.

It is the first fruits of the soft-pedal approach adopted by Sir Charles Villiers, the corporation's new chairman, after the failure of Sir Monty Finniston's attempt two years ago to push through substantial redundancies in the industry.

No figures have been put on the scaling-down operation now sought by the corporation to prise it out of its recession and projected \$500m. loss this year, but between 20,000 and 35,000 jobs have been mentioned.

Hartlepool itself was earmarked for closure at the end of next year. Because of the recession, steelmaking there was suspended at the end of last week, and on iron making from September 28.

Mr. Eddie Linton, convenor of the national craft unions, said that craftsmen were not involved, and that the plant mill would continue.

He said the unions would be seeing Mr. Eric Varley, Industry Secretary, to seek guarantees about the corporation's investment programme.

Mr. Varley is due to make a statement about the corporation when Parliament reassembles in the New Year. He is looking for more information from the unions and the corporation before then, and said yesterday that the Government was considering the question "urgently".

"What we are discussing is how to assist the corporation to achieve long-term viability that will allow it to guarantee people's jobs," he said.

Steel users demand action, Page 8



Mr. BILL SIMS: negotiations could set a pattern

Unilever offer for National Starch

BY MARGARET REID

UNILEVER, the Anglo-Dutch foods and industrial combine, yesterday announced an agreed \$255m. offer for National Starch and Chemical Corporation, in one of the largest takeovers in the U.S. by a European group.

The deal, assuming it goes through, will be in pursuance of Unilever's long-held objective of substantially increasing its stake in the U.S., where it now has only 10 per cent of its business compared with 70 per cent in Europe, including Britain.

The acquisition, which is to take the form of a merger, would boost by 23 per cent Unilever's existing sales of about \$1.5bn. in North America—through its Lipton tea and Lever Brothers detergents concerns—and raise operating profit (\$96m. in 1976) by a half.

National Starch, the 487th U.S. company by size, makes adhesives, starches and chemical products. Its shareholders are being offered a cash price of \$73.50 a share, which compares with 94¢ at which the shares were suspended on December 1.

Holders will be able to opt, as an alternative, for \$73.50 of preferred stock in a new concern which would own National Starch after the merger. The transaction is dependent, on a number of conditions, on approval by the alternative would not attract gains tax.

No investment boom next year—NEDO

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THERE WILL be no major investment boom next year and recent forecasts of a 12-17 per cent increase in manufacturing investment in 1978 appear optimistic, says a National Economic Development Office report to-day.

The report, from the mechanical engineering Little NEDDY, also warns that "growth in world trade in mechanical engineering products in 1978 will remain low by postwar standards."

The main reason for the failure of investment to increase as fast as predicted was that capacity utilisation was lower than expected. This was likely to continue into 1978.

"Pressure for uncompetitive manning levels on new plants in order to preserve employment in present conditions will also discourage investment in every NEDDY's short-term trends report says.

"We have argued consistently that earlier forecasts of manufacturing investment were too optimistic on grounds of low profit expectations and concern about possible financial restraints arising from the need to finance rising working capital requirements under inflation. In real terms, profitability is still very low."

The failure of the new order intake to continue to improve after the pick-up in the first quarter of this year was "unprecedented," the report says.

"This fall reflected the faltering of economic growth and optimism on grounds of low capacity utilisation in the U.K. and overseas, and a revival of anxieties about the possibility of an acceleration in U.K. inflation during the summer."

The increase in new orders for the mechanical engineering industry in 1977 was expected to be no more than 12-13 per cent. The Little NEDDY expects a further increase of some 5 per cent in new orders in 1978 but

this would still leave them 20 per cent below the 1973 peak.

U.K. demand for plant and machinery should broaden through 1978 from the sectors which have already begun to increase investment—the food, drink and tobacco industries in particular—40 other industries such as domestic appliances, motors, chemicals, and North Sea oil.

The report insists that price competitiveness in overseas markets will be threatened if the recent relative strength of sterling is maintained and the U.K.'s rate of domestic inflation remains higher than that of competitors.

"However, we believe that many competitors' margins have been so severely squeezed by the recent recession and currency revaluations that they will seize every opportunity to raise their prices."

Because of the current state of order books, the Little NEDDY has substantially downgraded its production forecast for 1977 to show a fall of some 12 per cent in 1978, although this might not take into full account building for stock. Production in 1978 should rise 4 per cent, again a downward revision on previous estimates.

The Little NEDDY says that after a surprising 6,000 increase in employment in mechanical engineering between June and August 1977 little further rise can be expected through 1978.

Mechanical engineering short-term trends summary—free from NEDDY Books, 2 Steel House, 11 Tolhill St., London SW1 9LJ.

Varley defends ships deal but hedges about costs

BY PHILIP RAWSTORNE

MR. ERIC VARLEY, Industry Secretary, yesterday refused to be drawn on the total cost to public funds of the £155m. Polish shipping deal.

His statement follows claims that the Government was spending as much as £37m. to secure the deal, partly through the £66m. intervention fund set up in March and partly through its contribution to the joint Anglo-Polish company set up to buy the ships and lease them to PZM, the Polish shipping company.

Mr. Varley said export credit guarantees had been provided as part of the deal.

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Parliament, Page 12
Lex, Back Page

Heath and Home speak out for regional list in Europe poll

BY RICHARD EVANS, LOBBY EDITOR

POLICY DIFFERENCES in the Conservative Party over the method of election to the European Parliament widened last night when two former Tory premiers, Mr. Edward Heath and Lord Home, spoke vigorously at a private Westminster meeting in favour of the regional list system of proportional representation.

Mrs. Margaret Thatcher, the Conservative leader, although allowing a free vote in to-night's crucial Commons division, is passionately opposed to any form of proportional representation for Europe, which she fears could pave the way for a change at Westminster.

Mr. Heath, in particular, argued strongly for the regional list system on the grounds that it would hasten the holding of direct elections. In his view the U.K.'s commitment to the European Community must continue to be the party's top priority.

Following unofficial whipping of the Labour "pay roll" vote of ministers for proportional representation to protect Mr. David Steel, the Liberal leader, and maintain the pact—there should be a respectable vote for the regional list, but possibly not high enough to prevent demands for a special Liberal Assembly on January 7 to discuss the pact's future.

Most of the Cabinet, including Mr. Michael Foot, Lord President and Mr. John Silkin, Agriculture Minister, but not Mr. Anthony Wedgwood Benn, Energy Secretary, are expected to vote for the regional list. Their change of heart has come about not because of a conver-

Support

Mr. Frank K. Greenwall, a director and chairman of the executive committee of National Starch, who, with his wife Anna holds about 15 per cent of the shares, has indicated his support for the merger. The intention is that the Greenwall shares should be voted on the merger in the same proportion as the shares of all other holders.

The cost of the deal, to be carried out through the Dutch company, Unilever NV, which holds the partnership's interests in the U.S. will be met partly by \$150m.-\$200m. from the group's cash holdings in Holland and Germany. The rest of the money will come from the raising of long-term finance, perhaps preceded by an immediate bridging operation.

Sir David Orr, chairman of the British-Unilever company, said yesterday that, in the quest for suitable expansion, it had thought deeply about a dozen U.S. companies. A large number had not been suitable for anti-trust reasons or were incompatible.

Unilever strides into U.S., Page 25
Lex Back Page

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Unilever strides into U.S., Page 25
Lex Back Page

Pacific markets in mind?

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Neither Mr. William Whitelaw, deputy leader, nor Mr. Francis Pym, Shadow leader of the House, is likely to vote for proportional representation although sympathetic to it because of their anxiety not to embarrass Mrs. Thatcher by being in open conflict with her.

Some Tory supporters are convinced that backing for the system would have been greater had some Liberals not sought to make the pact dependent on the vote. Many Tory waverers, they are convinced, will now vote for proportional representation in the hope of embarrassing Mr. Steel and Mr. Callaghan.

Editorial comment, Page 16

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LOMBARD

Sagas of the North Sea

BY PETER RIDDELL

THE POWER of the sea in politics would make an excellent topic for any anthropologist studying Britain...

The fundamental opposition of the TUC and large sections of the Labour Party to any relaxation in well-established...

Energy supply

The common starting-point of most in the debate is that since North Sea oil is a wasting asset...

Mr Healey has gone on from this to argue that "overseas investment cannot be seen as an alternative to investment at home...

Further more if an outward flow of capital is not permitted the current account surplus could push up the exchange rate...

V Radio

- 12.45 p.m. News, 1.00 Pebble Mill, 1.45 How Do You Feel?, 2.30 Pophy Cym, 3.53 Regional News...

F.T. CROSSWORD PUZZLE No. 3,543

Crossword puzzle grid with numbers 1-17 and 18-31 indicating starting points for clues.

- ACROSS 1 Plan to arrange my acts (6), 2 Bird returned and lost-bird which fell in small drops (8)...

- DOWN 1 Stand endlessly with desire for a carriage (8), 2 Sailor takes to his element—the Briny (4-5)...

A good time to restock the cellar

BY EDMOND PENNING-ROSELL

ALTHOUGH this is the time of year when wine drinkers are showered with advice as to what they should buy and drink over Christmas and the New Year, so far as vintage wines are included...

WINE

as large a quantity as can be afforded and as soon as possible. Prices have already risen sharply in Bordeaux for the 78s...

Surrender draft brings £3,100

THE FINAL DRAFT of the instrument of surrender of the German forces to Field Marshal Montgomery on Luneberg Heath was sold to a Perth dealer, Donald Wilson, for £3,100 at Sotheby's yesterday.

Ambiguity

Even Mr. Healey has conceded that "some increase in overseas investment may have a role to play later on." But the degree of ambiguity in the current British approach is in contrast to the view, for example, of Prime Minister Odvar Nordli of Norway...

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SALEROOM

for a carved tortoiseshell snuff box of about 1830. A large jasper rose saucer dish painted with prunus cherry, bamboo and roses was sold at Christie's for £15,000 to the London dealer Skenead.

Safety tests at naval base

EXPERTS have been called in to make safety tests at an ERM naval communications base which is threatened with closure even before its official opening on January 8.

FA choose Greenwood as England manager

THE SEVEN-MAN FA committee have last appointed a permanent England manager. Their selection, sound and predictable, was Mr. Ron Greenwood, who has been caretaker-manager since Mr. Don Revie departed to Arghia.

Persian Camp's turn today

ONE OF National Hunt racing's most respected and accomplished post-war trainers is remembered to-day when Plumpton stages the Peter Cazalet Memorial Challenge Trophy.

RACING

BY DOMINIC WIGAN

- 1.08-Medley, 1.30-Flying Prince, 2.00-Young Hopeful, 2.30-Persian Camp, 3.00-Con Hurley, 3.30-Whistler's Lane, 4.00-TEESIDE, 4.25-Bobby Kempkins, 4.50-Take Aim, 5.15-Ebberston Double, 5.45-Montrose Boy, 6.15-Super Glazepa, 6.45-Eastonk

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Capital Radio

Capital Radio 94.9 MHz and 97.3 MHz... 1.08 a.m. Morning Music, 4.00 a.m. Morning News, 6.00 a.m. Breakfast News, 7.00 a.m. News, 8.00 a.m. Breakfast News, 9.00 a.m. News, 10.00 a.m. News, 11.00 a.m. News, 12.00 a.m. News

What's in a name?

A name that's recognised can inspire envy or, in this case, confidence. It's a name with a reputation for accuracy only the best, and maintaining the highest standards.

What's in a name?

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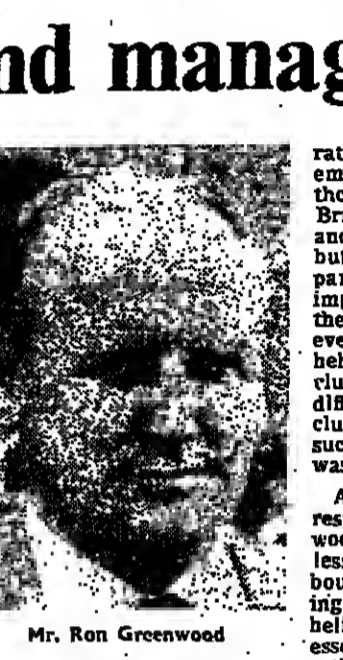
read the small print first

Burgundy specialists and shippers of fine wine, 85 Ebury Street, London SW1. Aine denoting the eldest son of the family.

Bouchard Aine

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What's in a name?



Mr. Ron Greenwood

Mr. Greenwood is an honourable person with the high principles the position requires. Having said that, it must be admitted that his record as manager and later general manager of West Ham has not been all that impressive in terms of performance on the field.

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A serious Simon

by FRANK LIPSUS

Neil Simon in a serious mood, three more times in succession... *Chapter Two* has been billed in an awkward attempt to meet months while it travelled someone who sounds genuinely interested in Broadway, bears a great interest.

Simon's old flat, Ann Wedge... *Chapter Two* has been billed in an awkward attempt to meet months while it travelled someone who sounds genuinely interested in Broadway, bears a great interest.

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Forgotten Concerti

by DAVID MURRAY

The four 'forgotten concerti'... The four 'forgotten concerti' were mounted on Sunday by something like an international rescue operation. With three Norwegian soloists and Leon Goossens, Roy Wales conducted the chamber orchestra of the Staatliche Hochschule für Musik in Karlsruhe, somewhat tentatively supported by players borrowed from the Royal College.

Leonardo the anatomist

by WILLIAM PACKER

Leonardo's is the greatest of... Leonardo's is the greatest of investigated the physiology of the uterus, and of the foetus surviving drawings and notebooks. Some of these items are remarkably clear understanding of the workings of the sexual parts: the muscles, the skeleton, nerves, veins, heart and lungs. A major show was arranged in America last year, however, much of the work being shown publicly for the very first time. The volumes have been split up, in recent years, for the better conservation of the individual pages, and a special system of display devised. So it is that now we have, until February 18, in the Private Rooms of the Royal Academy in Piccadilly, a unique opportunity to see this important aspect of Leonardo's achievement most clearly, and to see it all but whole.



Anatomical drawing by Leonardo da Vinci

Juilliard Quartet

by MAX EOPPERT

The adjectives one uses to... The adjectives one uses to praise the Juilliard Quartet on its annual London visit tend to be the same each time: athletic, fine-nerved, acute, passionate, clean. All rough and inaccurate, all cinematically attempting to convey the combination of purity and force in their readings from the classical period and after it, the powerful, exhilarating way in which the movement and the energy of the musical arguments are unfailingly communicated.

The Entertainment Guide is on Page 30

But taboo and the voice of... But taboo and the voice of authority make powerful allies, and it says much for Leonardo's independence of spirit that he should have ignored them.



Judd Hirsch and Anita Gillette

Idomeneo

by RONALD CRICHTON

George Lavelli's production of... George Lavelli's production of *Idomeneo*, an opera rarely known in France, led a stir when it was first staged two years ago at the Angers theatre. It has since been seen in London by Bernard Pomeroy and elsewhere before returning home at the end of the month for three further performances. At Angers and in other centres of that part of France the "lyrical other grandeur" which has become the Argive princess, Elettra, who loves him too.

return to a tenor Idamante... return to a tenor Idamante—the single phrase that seemed to lie uncomfortably for Miss Lindström and the days, awkwardly but vital first line of the quartet. The *Idomeneo* is a sea-monster. While they paddle the men sway backwards and forwards—a cliché of the kind one might expect Lavelli to avoid, but there is still more of it in the scene of sacrifice. One wouldn't dwell on these faults if the effect of the whole were not so profoundly and illuminatingly serious. What a pity, since Lavelli is a director who can use bodies expressively, and since the Angers theatre is also a "centre chorégraphique" that the opportunity was not taken to restore the ballet in *Idomeneo* (and not only for the formal dance scenes) to its rightful place.

King's Head

Like Dolls or Angels

by MICHAEL COVENEY

Stephen Jeffrey's lunchtime... Stephen Jeffrey's lunchtime play won a prize at this year's National Student Drama Festival before going on to the Edinburgh Fringe. Its appearance at the King's Head heralds the arrival of a talented new writer in the mould of Stephen Pollakoff perhaps, but with a sufficiently fresh sting of his own to warrant gratitude to Michael Codron, who has commissioned a full-length play for later next year.

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EUROPEAN NEWS

A Yugoslav diplomat's sensational account of Yugoslavia's tortuous relations with the USSR since the Khrushchev-Tito reconciliation of 1955-56. PAUL LENDVAI reports

Memories of Big Brother

THE MEMOIRS of Mr. Veljko Micunovic, the former Yugoslav Ambassador in Moscow, have provoked a sharp Soviet protest to the Yugoslav Government. Last week copies of the 521-page volume disappeared from bookshops all over Yugoslavia. Prospective buyers were told that the book—despite a first printing of 10,000—had been sold out. It is the most candid and by Communist standards even sensational account ever published of Yugoslav-Soviet relations since the Tito-Khrushchev reconciliation in 1955-56. The reader also gets an inside view of the real background to the Soviet intervention in Hungary in 1956, the power battles in the Kremlin, the purge of the Molotov-Malenkov group, and the fall of Marshal Zhukov. Last but not least the author also provides unique glimpses of the atmosphere during the Suez crisis and character sketches not only of Khrushchev but also key figures who are still active such as Mr. M. A. Soslov and Mr. B. Ponomarev.

The Yugoslav enjoyed close personal relations with Khrushchev, quarrelling and arguing many hours with the Soviet leader, who in turn made him privy to many secrets of the Kremlin.

Mr. Micunovic gives a detailed account of a crucial flight of Khrushchev and Malenkov to Yugoslavia to confer with Marshal Tito on the night of November 2/3 1956 about the impending military intervention in Hungary at the time of the rising there. Their trip began with a bumpy ride in a small two-engine plane to Pula. After a further trip in a tiny motor boat across a rough sea, the two—by then thoroughly seasick—leaders arrived at Tito's villa on the Adriatic island of Brioni. They discussed with Marshal Tito, his two then closest associates, Mr. Edvard Kardelj and Mr. Alexander Rankovic (purged in 1966), and with the author from 7 p.m. to 5 a.m. next morning the best course of action in Hungary. The Nazi Government there had proclaimed Hungarian neutrality and the return to a multi-party system.

The author confirms that President Tito agreed with the need for Soviet action. Mr. Micunovic also discloses that the Soviets and the Yugoslavs were already discussing details of the programme of the Hungarian Government to be put into power by the Soviet army. This and who should head it. The Yugoslav supported Mr. Janos Kadar (who got the job) while Khrushchev favoured the late Ferenc Muenoich, a former Red Army officer.

In a bout of indiscretion Khrushchev told Mr. Micunovic how he had got rid of Marshal Zhukov, the war hero who as Minister of Defence was a key figure in defeating the Stalinist Molotov-Malenkov group in June 1957. During the struggle for power in the presidium, Marshal Zhukov casually remarked that he could call out the army if necessary to settle accounts with the Stalinist group. That made Khrushchev wary later: if the army was willing to use force against Molotov, he might equally move against Khrushchev himself.

The Minister of Defence was sent for an unusually long three-week trip to Yugoslavia and then to Albania in the autumn of 1957. On his return he was driven straight from the airport to the session of the presidium

only to be informed there and then that he was relieved of all his functions.

The completely bewildered Marshal rang Khrushchev from home: "What has happened, Comrade Khrushchev? You know me, we are friends and I just cannot understand a thing." Khrushchev curtly replied that he had absolutely nothing to say before they met at the forthcoming plenary meeting of the central committee convened to approve the decision of the presidium. The Soviet leader told Mr. Micunovic this story to show what he called his impartiality towards "friends". Zhukov's fate and the later treatment of Khrushchev, according to Mr. Micunovic, show the crucial role of the army but also how the system treats purged leaders as social outcasts.

The author obviously regards Mr. M. A. Soslov, at 75 still the eminent grise of the Soviet

Pollburo as the most evil influence on Soviet policy. In a postscript, written in 1971, Mr. Micunovic recalls how the Soviet prosecutor in 1945-49 against the Yugoslavs, at the plenary meetings of the central committee in 1957 against the Molotov and his associates, four months later, against Marshal Zhukov, and finally in 1964, against Khrushchev himself.

At a stormy encounter with the author, Mr. Soslov in April 1958 sharply attacked the new Yugoslav party programme without even offering a seat to the Yugoslav envoy who had brought along a copy of the text. Just sent by special plane from Belgrade, Mr. Soslov's tone was such that Mr. Micunovic shouted back: "We are talking about the programme of the Yugoslav communists, not that of the Soviets."

Mr. Micunovic says that Mr. Boris Ponomarev, then and now, one of the Kremlin's chief trouble-shooters in the international Communist movement, two years after Khrushchev's famous secret speech about the horrors of the Stalin era still had a picture of Stalin on the wall of his office in the Kremlin.

Recalling humiliating details of talks about Yugoslav requests for modern Soviet fighters and tanks, Mr. Micunovic warns against giving in to Soviet demands which might lead to unilateral and excessive dependence on supplies of Soviet arms. He leaves no doubt that he believes that Moscow wants to bring about Yugoslavia's re-entry into the bloc. His catalogue of Soviet forgetfulness of past statements of bugging and police provocation, of double-dealings in relations with the Yugoslavs, of attempts to use, then as now, Stalinist emigres as undercover agents in Yugoslavia make compelling reading. His conclusion is that the Soviets have conceded that there can be differing roads to socialism and the independence of each Communist State and only party as a tactical device



Mr. Veljko Micunovic. Humiliating details.

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Andreotti in budget talks

By Dominick J. Coyle
ROME, Dec. 12. SIG. GIULIO ANDREOTTI, the Prime Minister, was meeting senior economic ministers to finalise the minority Government's revised 1978 budget to the hope that it would prove acceptable in talks later this week with the main opposition parties and three trade union confederations.

The Prime Minister expects to meet with trade union leaders on Wednesday, and on the following day with the heads of the five opposition parties, including the Communists (PCI).

Police in bullet proof jackets and firing into the air seized 240 demonstrators today during a wild rampage by thousands of youths in which Molotov cocktails and tear gas grenades were exchanged. UPI reports from Rome.

Chirac keeps his distance

By DAVID CURRY
PARIS, Dec. 12. DESPITE HIS apparently harmonious meeting with President Giscard d'Estaing last week, the Gaullist leader, M. Jacques Chirac, is intensifying his opposition to any attempt to produce a coherent joint election platform under Prime Minister Raymond Barre for all the parties of the conservative coalition.

M. Chirac, emphasising his belief that each coalition party should go to the country on its own platform, is also doing his best to dissociate the Gaullists from total support for M. Barre's economic austerity programme.

Although the Gaullists support the Barre Plan in the National Assembly, they have recently added open sniping at M. Barre's policies to their longstanding opposition to his role as a

Sweden faces economic crisis

By William Duffner
STOCKHOLM, Dec. 12. GOVERNMENT policy is carrying Sweden into an unprecedented economic crisis and must be changed immediately, the unofficial Economic Advisory Council stated today in its annual report. It called for the establishment of a crisis commission, whose first job would be to take charge of the 1978 wage negotiations. It also argued that a social pact be agreed with the trade unions, the employers and the Government.

The Economic Advisory Council comprises four leading independent economists, whose studies are financed by industry.

It recommends the Government either to make a "final" devaluation of 15 per cent, and cut value added tax by 2-4 per cent, or to reduce employers' payroll charges by 10 per cent—or to set the election "tough" for the election in March in order to end the uncertainty which he reckons is bedevilling the country's economic life.

Workers in France's electricity industry today called off a one-hour strike planned for Wednesday after the management agreed to consider proposals for a pay deal, union leaders told Reuter in Paris. The industry has been hit by a series of stoppages and power cuts following a national strike on December 1 by left-wing union groups in protest against the Government's anti-inflation measures.

In spite of these devaluations the gap between Swedish and other countries' cost levels would remain through 1978.

The Bank of Nova Scotia 1977 ANNUAL STATEMENT

Condensed Statement of Assets and Liabilities as at October 31

	1977	1976
Assets		
Cash, clearings and due from banks	\$ 5,534,887,863	\$ 4,421,579,368
Securities	1,944,841,235	1,537,162,845
Call Loans	553,673,095	360,686,262
Other loans and discounts	13,000,789,283	10,797,843,008
Acceptances and letters of credit, as per contra	1,060,204,129	880,973,021
Bank premises	132,879,144	111,453,096
Controlled companies	111,424,600	52,808,248
Other assets	20,547,899	18,541,313
	<u>\$22,359,247,248</u>	<u>\$18,181,047,161</u>
Liabilities		
Deposits	\$20,219,610,977	\$16,366,084,503
Acceptances and letters of credit	1,060,204,129	880,973,021
Other liabilities	46,776,104	35,372,409
Accumulated appropriations for losses	159,801,439	126,711,849
Debentures	191,730,000	165,850,000
Capital paid up	41,250,000	41,250,000
Rest account	639,000,000	564,000,000
Undivided profits	874,599	805,380
	<u>\$22,359,247,248</u>	<u>\$18,181,047,161</u>

Statement of Revenue, Expenses and Undivided Profits for the financial year ended October 31

	1977	1976
Revenue		
Income from loans	\$ 1,447,312,462	\$ 1,285,320,141
Income from securities	137,061,469	119,988,356
Other operating revenue	118,110,556	102,865,008
Total revenue	<u>\$ 1,702,484,487</u>	<u>\$ 1,508,173,505</u>
Expenses		
Interest on deposits and bank debentures	\$ 1,014,697,096	\$ 905,024,065
Salaries, pension contributions and other staff benefits	256,415,793	223,093,428
Property expenses, including depreciation	73,768,346	61,001,275
Other operating expenses, including provision for losses on loans of \$36,957,973 (1976: \$29,420,987) based on five-year average loss experience	131,359,033	105,601,506
Total expenses	<u>\$ 1,476,240,268</u>	<u>\$ 1,294,720,274</u>
Balance of revenue	226,244,219	213,453,231
Provision for income taxes relating thereto	94,700,000	96,600,000
Balance of revenue after provision for income taxes	131,544,219	116,853,231
Appropriations for losses	54,000,000	48,000,000
Balance of profits for the year	77,544,219	68,853,231
Dividends	35,475,000	33,065,885
Amount carried forward	42,069,219	35,787,346
Undivided profits at beginning of year	805,380	893,034
Transfer from accumulated appropriations for losses	33,000,000	21,000,000
	<u>75,874,599</u>	<u>57,680,380</u>
Transferred to rest account	75,000,000	56,875,000
Undivided profits at end of year	<u>\$ 874,599</u>	<u>\$ 805,380</u>

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LEGRAND, whose shares have been quoted on the Paris Stock Exchange since 1970, has had an average growth in sales and profits of 20% for the past twenty years.

In 1977, its consolidated turnover should exceed Frs.1,000 million.

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 Bearing interest: 24th November, 1977
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 Gross redemption yield (in case of non-conversion): 10.5%
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 Conversion: ONE share for ONE bond as from April 1, 1978
 (Share price on 1/12/77: Frs.1,488)

BALO of 21/11/1977 COB via no. 77-159 of 16/11/77

EUROPEAN NEWS

Setbacks for Demirel add to Turkish uncertainty

BY DAVID TONGE
RESULTS of Sunday's municipal elections in Turkey have increased rather than reduced the political uncertainty of the country.

West split on Belgrade document

BY PAUL LEVAVI
BELGRADE, Dec. 12. SHARP CLASHES between Soviet and U.S. delegates over human rights, difficulties in finding a common NATO position on the concluding document, and search for a compromise over the working programme have emerged as the main features of the 35-nation follow-up conference on European security here.

W. Germany faces new spy scandal

BY JONATHAN CARR
WEST GERMANY is today embroiled in a new spy scandal affecting not only its own interests, but also those of NATO allies.

Brunner urges action on EEC energy programme

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT
BRUSSELS, Dec. 12. THERE IS a "strong tendency" among members of the Organisation of Petroleum Exporting Countries (OPEC) to opt for an increase in their price per barrel next week in the view of the EEC Energy Commission, Dr. Guido Brunner.

IFO sees electrical engineering slowdown

BY JONATHAN CARR
THE RATE of production growth in the West German electrical engineering industry next year is likely to be less than half this year's figure.

Sweden 'Red mud' concession won

BY OUR OWN CORRESPONDENT
BRUSSELS, Dec. 12. SWEDEN TO-DAY won a hard-fought concession in its lengthy campaign to convince the EEC that discharges of titanium dioxide, or "red mud," from U.K. industrial plants are not polluting the North Sea and other coastal waters.

Scheel promises aid to Portugal

BY OUR OWN CORRESPONDENT
BRUSSELS, Dec. 12. WEST GERMAN President Helmut Scheel to-night promised aid to Portugal in the form of military aid to help it face its first big democratic elections.

Red mud' concession won

Under the directive, which is now being adopted, governments will be required to ensure that authorisation for new titanium-dioxide-producing plants is granted only if it can be demonstrated that discharges have been reduced to the minimum.



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Advertisement for World Courier, showing a stylized map of Europe with cities like Amsterdam, London, Brussels, and Paris marked. Text: 'NOW it your fingertips'.

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AMERICAN NEWS

U.S.—JAPAN TRADE TALKS

Tokyo under pressure to give more

BY DAVID BELL

A SENIOR JAPANESE official today began intensive talks with members of the Carter administration in an effort to convince them that the economic package he has brought with him is the most that can be expected from Japan for the time being.

Mr. Nobuhiko Uehara, a senior adviser to the Japanese Ministry and a former ambassador to the United States, had lunch with Mr. Robert Strauss, the President's special trade representative, before going on later to meet the Secretaries of the Treasury and Labour. It is expected that to-morrow he will also meet President Carter.

WASHINGTON, Dec. 12.

The recent sharp appreciation of the yen has placed profits on Japanese exports to the United States to the bone. Some importers, like Toyota or Datsun, are currently believed to be making little or no profit at all on their exports and it is expected that prices will soon rise once again.

OVERSEAS NEWS

Iranian investment to double in new plan

TEHRAN, Dec. 12.

INVESTMENT UNDER Iran's sixth plan will be doubled compared with the \$500,000,000 of the current fifth plan, the official newspaper Rastakhiz said.

Syria threatens to refuse to negotiate with Vance

BY OUR FOREIGN STAFF

ARAB deadlock over President Sadat's initiative for a peace settlement with Israel and American support for it hardened yesterday as Syria announced that it would not accept Mr. Vance's offer to negotiate an agreement between Egypt and Israel which he was carrying away from Jerusalem.

Mr. Vance arrived yesterday in Amman for talks with King Hussein of Jordan. His entourage included Mr. Vance's secretary of State, if he was carrying any message from Jerusalem.

though not necessarily public commitment from Israel that it is ready to make the concessions on territorial withdrawal from the occupied Arab territories, including a full pull-back from the West Bank, the return of Jerusalem to Arab sovereignty, and a meaningful discussion of the political status of the Palestinians.

Graiver group sentenced to jail

BY ROBERT LINDLEY

AN ARGENTINE military court, which has been deliberating in secret for five months, has sentenced five members of the so-called Graiver group to terms of imprisonment ranging from four to 15 years for subversion.

who came from Poland as Jewish immigrants. Sentenced to five years is Srta. Silvia Cristina Fanjul, identified as the secretary of the Graiver group. Srta. Lidia Catalina Gesualdi was sentenced to 7 1/2 years, and Srta. Lidia Haydee Brodsky de Graiver got four years.

of the ranks of the self-proclaimed "Montoneros," whom the nation with a holocaust of men and goods, decided to annihilate to save its traditions and way of life, based on freedom and human dignity.

Trinidad turns from CARICOM to Latins

By David Renwick

TRINIDAD and Tobago has abandoned attempts to establish joint-venture development projects with its Caribbean Common Market (CARICOM) neighbours and has turned to selected Latin American countries instead.

Oman, UAE in border dispute

MUSCAT, Dec. 12.

OMAN has asserted its claim to a region when Ras al-Khaimah, one of the seven member-states of the United Arab Emirates (UAE), has found oil, but has no intention of taking military action to regain the area, according to Mr. Yousef al-Azawi, Undersecretary at the Oman Foreign Ministry.

Kaunda optimistic on economy

BY MICHAEL HOLMAN

THE ZAMBIAN PRESIDENT, Dr. Kenneth Kaunda, today listed these as the "worst economic recession" the village of copper prices; the southern Africa "wars of liberation"; a paralytic action; which would lead to an economic recovery.

people and nature herself. He listed these as the "worst economic recession" the village of copper prices; the southern Africa "wars of liberation"; a paralytic action; which would lead to an economic recovery.

Since then a parliamentary select committee on the economy has produced a hard-hitting report which reinforced the President's warning.

Shipping payments report

BY JUREK MARTIN, U.S. EDITOR

MAJOR international shipping companies may have dispensed as much as \$100 million in some form of payments to shipping agents and importers over the past five years, according to a report in the Washington Post this morning.

been a bone of contention in recent months in relations between the U.S. and some foreign countries, including Britain.

These investigations, and particularly the attempts by U.S. authorities to subpoena documents belonging to foreign owned shipping companies, have

Holden death inquiry

CAIRO, Dec. 12.

A HIGH-POWERED team including four Generals has been appointed on the order of Mr. Mamdouh Salem, the Prime Minister, to investigate the murder of Mr. David Holden.

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South African white unions split on job reservation

BY QUENTIN PEE

THE TWO major wings of South Africa's white trade union movement are deeply divided over the key issues of job reservation for white workers and the official registration of black unions, it emerged today.

JOHANNESBURG, Dec. 12. The proposals are put forward in evidence to the statutory labour mission investigating labour legislation in South Africa under the chairmanship of Professor Nic Weyland with the confederation of Labour dissenting.

Thaw in Sino-Indian relations

By K. K. Sharma

NEW DELHI, Dec. 12. THE INDIAN Foreign Minister, Mr. Atal Behari Vajpayee, today indicated that the government's willingness to put the border dispute with China on the shelf while trying to "normalize" Sino-Indian relations in other areas.

MEXICO'S AGRARIAN POLICY

Carts without horses

BY ALAN RIDING, IN MEXICO CITY

WHEN President Jose Lopez Portillo took office a year ago, just 11 days after President Luis Echeverria carried out the most dramatic land expropriation of his administration, thousands of peasants were squatting illegally on private farms throughout Mexico.

nor to divide it up, but rather to create new units of production, to increase efficiency and to speed the process.

the growing peasant army of those still demanding land. Economic logic would recommend forestalling the entire "ejido" system in favour of large-scale farming. But not only is this politically impossible in a land of agrarian myths

exist, but at least the new ones formed on the land expropriated in Sonora by President Echeverria are not working well. Productivity of the lush irrigated stretches of the Yaqui Valley has not fallen since they were taken over by the peasants, although the "ejido" farmers have not yet translated into improved living conditions. Even officials recognize, though, that the Sonora collectives cannot be considered typical and in the rest of the country problems will be much greater.

A revolution in agrarian thinking has been achieved in Mexico. The cry of "land and liberty" has been replaced by talk of efficiency and productivity.

rather than ploughing them back into the land. As a result, since 1970, food production has grown by an annual average of just 1.1 per cent, compared to a population growth rate of about 3.5 per cent. President Lopez Portillo has therefore silenced peasant rabble-rousers and reassured private farmers that their land is secure from the threat of expropriation.

ate peasants to already overcrowded urban areas. The government's challenge is therefore to increase food production but also to provide incentives to keep the peasants in the countryside.

To increase the productivity of the "ejidos," the immediate plan is to collectivise the plots on each farm and operate them as a single unit with the support of the state's Rural Development Bank and Government agronomists. The idea is good, but in practice it will be difficult to carry out.

Suddenly, political rhetoric has been replaced by technocratic language and Emiliano Zapata's revolutionary cry of "land and liberty" has given way to talk of efficiency and productivity. President Lopez Portillo is denying the peasant's right to "justice," but he believes that it can be achieved by increasing food production, not by further redistribution. "The solution is not to divide up the land but to multiply production," he noted recently. "To bring justice to the peasant is not to give him land

the next few days. These investigations, and particularly the attempts by U.S. authorities to subpoena documents belonging to foreign owned shipping companies, have

Eritreans claim capture

BY OUR FOREIGN STAFF

ERITREAN guerrillas have captured one of the four districts of the Red Sea port city of Massawa, according to a spokesman for the Eritrean Popular Liberation Front (EPLF). The spokesman, quoted in Rome by Reuters, said that the Marxist guerrilla force was pressing home its attack on the Ethiopian forces after winning a crushing victory last week on the road from Massawa to Asmara.

Two candidates for Whitlam's position

BY KENNETH RANDALL

THE NEW leader of the Australian Labor Party will be chosen at a meeting of Parliamentary members on Thursday next week with at least two declared candidates for the position.

MEANWHILE Somalia has made a violent verbal attack on the Soviet Union for its role in the Horn of Africa, accusing it of trying to precipitate a "blood-bath" and to "bring down the States which do not know to the Russian line," Mogadishu Radio said.

Heavy fighting in Philippines

ZAMBANGA CITY, Dec. 13.

PHILIPPINE marines have launched an assault against Muslim rebels on the southern island of Basilan, after the rebels, turned down a Government ultimatum to surrender.

Handwritten scribbles and markings at the bottom of the page.

WORLD TRADE NEWS

Saudi go-ahead for budget lift to cover telephones project

BY MAX WILKINSON

THE SAUDI Arabian Government has given the go-ahead for the multi-million pound telecommunications project which had been held up because the initial budget was too small. At a week-end meeting the Saudi Council of Ministers agreed to pay the price set by the three international consortia bidding for the largest contract of its kind ever to be offered. The Ministry of Posts is now believed to be on the verge of naming the successful contender. Early indications are pointing to the consortium made up of Philips of Holland, Ericsson of Sweden and Bell Canada. An out to Riyadh, the Saudi capital, last night to clarify the state of affairs. Companies have been unable to keep in close touch with the negotiations in Riyadh, because telecommunication links are highly erratic. The Saudi contract is seen by the world's major telecommunication companies as highly significant, partly because of its enormous size and partly because it will be the largest system outside the U.S. to use the latest computer-controlled exchange technology. The Philips-Ericsson-Bell bid was the lowest of the three which reached the final selection. It came out at \$1.26bn., compared with the Saudis' original estimate of \$550m. The next favourite bidder was a consortium of Western Electric, of the U.S., and Plessey and Cable and Wireless from the U.K. The Anglo-American bid was \$1.88bn. The remaining bid was from ITT with the U.S. company United Utilities. Its bid was \$1.93bn. The Saudi Ministry of Posts and Telecommunications has been anxious to start work on the contract as soon as possible. It has set a time limit of three years for the completion of the scheme, considered by all the companies involved to be an extremely tight schedule.

Bonn predicts decrease in Soviet Union trade

BY DAVID SATTER

MOSCOW, Dec. 12.

THE VALUE of West German trade with the Soviet Union, which has increased every year on an annual basis since 1971, appears set to decline this year in comparison with 1976. West Germany is Russia's largest Western trade partner. Figures for West German-Soviet trade for the first nine months of 1977 released by the West German Embassy show that the value of trade during the first three quarters of 1977 came to DM7.6bn., a decrease of 3.3 per cent from trade valued at DM8.4bn. for the first nine months of 1976. West German exports, overwhelmingly finished and semi-finished goods, declined 8.8 per cent to DM4.6bn. from the equivalent period last year. Soviet exports to West Germany, mainly raw materials, declined to DM3.0bn. this year, 10.3 per cent less than the value of exports for the first nine months of last year which was DM3.4bn. The Soviets, however, were able to narrow their deficit in trade with West Germany because of the decline in Soviet exports to West Germany which was smaller in absolute terms than the decline in German exports to the USSR. The balance in Germany's favour of this year was DM1.6bn. compared to a deficit of DM1.7bn. for the equivalent period last year. The Soviets were able to almost double their processed chemicals exports to West Germany which had a value of DM3.12bn. for the first nine months of this year compared with a value of only DM1.6bn. for the equivalent period last year. The fall in the overall volume of Soviet-West German trade is consistent with the overall decline in Soviet trade with the West during the first three quarters of 1977 which was detailed in recently issued comprehensive Soviet trade statistics. West Germany is the Soviet Union's largest Western trading partner and German commercial sources on the basis of the nine months' figures said that bilateral trade for all of 1977 will be lower than for 1976. They attributed the decline to commercial competition particularly from France and the Soviet desire to balance trade with West Germany which has in past years run heavily in West Germany's favour.

French expect recovery in exports to China

BY DAVID CURRY

PARIS, Dec. 12.

THE CHINESE Foreign Trade Minister, Mr. Li Chiang, has concluded a 10-day visit to France which Paris hopes will have paved the way for a recovery in France's exports to China. Mr. Li, who declared himself satisfied with his talks with the Prime Minister, M. Raymond Barre, was given a tour of France's high-technology sectors, including electronics and avionics, offshore oil field equipment, nuclear energy and aerospace as well as steel, railway locomotives and commercial vehicle production. Mr. Li's visit followed a high-level Chinese military mission which was in France three months ago and his own trip to visit in radar plants and inspection of military aircraft. The French are encouraged by his interest in the Franco-German Transalpine military transport whose production lines have been re-opened to provide work for Toulouse. To a lesser extent there is also hope that the Airbus made a good impression though the trade Minister paid only a short visit to the aerospace installations. M. Raymond Barre is to visit China in January, and he hopes are that contracts will be announced on his trip. John Lloyd writes: The Chinese Government is likely to turn to foreign sources of supply for mining equipment in the near future, according to the monthly magazine World Coal. The forecast is in line with a U.S. Government survey earlier this year, which predicted Chinese demand for face advancing systems, self-advancing hydraulic supports, shearer, conveyors, lighting and communications equipment. The U.K. is ideally placed to take advantage of future buying on the coal equipment markets. The two most significant items bought in recent years have been two longwall mining systems worth £7.2m., was headed by Gullick Dobson, the second, worth £18.5m., headed by Dowty Mining Equipment. World Coal estimates that output from Chinese mines will pass 500m. tonnes in 1977, and 600m. tonnes by 1980 if plans are fulfilled. If production at this level is reached, China might export coal to Japan. At talks between French and Chinese officials in 1977, the possibility was raised of China's exporting 16m. tonnes of coal to Japan.

S. Korea loan backing

FINANCIAL TIMES REPORTER

THE Export Credits Guarantee Department has guaranteed the payment and funding for a \$7m. loan which Lloyds Bank International has made available to Hyundai Shipbuilding and Heavy Industries of South Korea. The loan will help finance contracts awarded by Hyundai to I.K. suppliers for capital goods and associated services for a marine diesel engine plant at Incheon, South Korea, to manufacture engines ranging from 6,000 to 86,000 brake horse power which will be used in South Korea's shipbuilding industry. Simon-Carves deal Simon-Carves & Simon Engineering Company has obtained a 10m. contract through Polbur engineering of Manchester, agencies report. Simon-Carves will design and supply nine pneumatic conveying systems to transfer PVC powder over distances of up to 300 m with 25 m lift. The systems are for a 2300m. PVC complex in Wloclawek, Poland. Turner & Newall The Federal Industrial Development Authority of Malaysia has agreed United Asbestos Cement Berhad, in which Turner and Newall has a 31.25 per cent stake, should build a pipe manufacturing plant at Ipoh. Cost of the project will be \$319m. (\$4.37m.). Chipboard dumping The British Wood Chipboard Manufacturers Association has asked the Department of Trade to take action against chipboard imports, particularly those coming from Sweden and Spain. AP-DJ reports. The Department of Trade is studying chipboard imports from Sweden and Spain and has held talks with European Community officials about possible anti-dumping action.

Cutlery importers in quota row

BY DAVID FREUD, INDUSTRIAL STAFF

INDEPENDENT U.K. importers of stainless steel cutlery yesterday launched an attack on proposals by the manufacturers for quota restrictions. A new committee, sponsored by the British Importers' Con-

Lockheed orders for Canada

By Robert Gibbons

MONTREAL, Dec. 12.

LOCKHEED Aircraft of the U.S. has placed the initial contracts of \$900m. programme of offset purchases agreed when Canada bought the Aurora reconnaissance aircraft. The first contracts totalling nearly \$100m. have been placed with Canadair in Montreal, Bristol Aerospace in Winnipeg, Embair, Litton Systems Canada and CAE Industries, all of Toronto. Canadair is building radar domes, electrical equipment, fuselage parts and machine parts for the 18 Auroras Canada is buying from Lockheed. The parts will be shipped to California for final assembly at Lockheed. Canadair is also building the Challenger wide-bodied business aircraft and the first will fly in the spring. The company says it has sales or commitments for over 100, and is looking at a stretched version.

Columbia Airbus

Aerocorator, the Columbian airline, is to become the first Latin American company to operate an Airbus Industrie A300 B4 wide-bodied aircraft. It will be introduced on the Columbia-to-Miami routes to-day, agencies report. The airline is also building an option on another A300. The wings for the Airbus were designed and built by Hawker Siddeley Aviation.

WEST GERMAN EXPORTS

Currency blunts the competitive edge

BY GUY HAWTIN, IN FRANKFURT

THIS HAS not been a particularly happy year for a number of important sectors of West German industry. Although there were strong hopes in the first couple of months that the 1977 upturn would continue, the early promise has failed to hold good. Home demand has been varied. In the machine tool industry, for instance, domestic orders rose by 34 per cent, as manufacturing companies that had tightly curbed investment during the depths of the recession were forced—probably more by necessity than anything else—to replace old or out-moded equipment. In other sectors, however, domestic orders were relatively slack. But for many years now exports have been the key to prosperity for a majority of West German manufacturing concerns. In the chemicals industry overseas sales generally account for more than 50 per cent of turnover, while 75 per cent of the machine tool manufacturers' output is shipped abroad.

This year exports have been hard hit in many areas where international competition is fierce. The steel industry, of course, has had a thin time of things the world over. But the three major chemicals concerns—Bayer, BASF and Hoechst—all of which forecast a year of growth at the beginning of 1977, have reported exports during the first ten months either stagnating or declining slightly. The machine tool industry, the largest of West Germany's mechanical engineering industries, reported that orders from abroad were down by a real 8 per cent. Exports, which last year totalled DM18bn. tapered off during the first nine months of 1977 and, gloomily, the industry expressed hopes that exports could be maintained long-term at 60 per cent of total sales. This is a far cry from 1975 when exports accounted for some 75 per cent of turnover. The news has, naturally, been greeted with much anxiety. Industrialists here made it clear that much of the problem has been caused by the steep upward rise of the Deutsche Mark against the currencies of its main trading partners, particularly the dollar. Prof. Herbert Gruenewald, Bayer's chief executive, pointed out a short while ago that by November the D-Mark has appreciated by an average 4.6 per cent against the currencies of its 22 leading trade partners during 1977.

observers over here are forecasting a bleak future. One leading British industrial expert summed it up by saying: "There has to come a time when increases in the value of the DM can no longer be offset by increases in productivity. There are after all limits to the capability of rationalisation measures to push up productivity. Perhaps, these limits have now been reached." West German companies have certainly been concentrating heavily on rationalising production during most of the current decade. Whereas in 1970 well over 50 per cent of all West German capital investment was channelled into extending production and about 25 per cent went into rationalisation measures aimed at increasing productivity, the figures were reversed by the mid-seventies. Companies, particularly in highly competitive areas, made no bones about the fact that rationalisation investment was to be the prime target of the foreseeable future. A number of notable foreign observers agree with their British colleagues that the DM has been a major factor for further rationalisation and productivity increases. But further productivity increases are limited. German wage costs are now among the highest in the world, while in the league table of hours-worked Germany ranks about tenth—way after Japan and Britain. A survey published recently showed that, on the basis of an eight-hour day, the average West

German worker in 1976 put in about six weeks fewer than his Japanese counterpart and two and a half weeks less than supposedly strike-prone British. Signs of the times are that West German capital investment overseas has increased substantially in recent years. This, in part at least, is a result of manufacturers taking advantage of lower foreign labour and capital equipment costs, particularly in the United States. Again observers point out that many companies have had the decision thrust unwillingly upon them—Volkswagen's eleven-hour decision to set up a U.S. assembly plant only after losing a massive slice of its market.

Even so, it seems much too early to claim that the continued rise in the value of the DM will have a lasting effect on West German competitiveness. Most bankers here agree that the present DM/dollar parity is wholly unrealistic and this is fervently echoed by the Government and the Bundesbank. While it has led to a substantial increase in imports from the U.S., it has also allowed West German companies to substantially increase their presence in North America with very clean dollars. This has been a year in which world trade has grown very slowly. Sluggish demand has led to low levels of capacity utilisation in industries such as chemicals, steel making and mechanical engineering, while the crude petroleum, which is facing a recession which could last into the mid-1980s. With Germany's high personnel and operating costs, low levels of capacity utilisation are swiftly reflected in the profit and loss account. Although the year is not yet over and many companies have yet to report their successes or failures, the atmosphere is certainly relatively gloomy but so it was in 1975 just before the 1976

Severely

This has bitten severely into German industry's competitive edge as well as profits. Its effect can be assessed from the fact that although in terms of their home currencies the turnover of Bayer's 20 leading overseas subsidiaries rose by 18 per cent, the figures converted into DM presented a picture of virtual stagnation. Not surprisingly, many



Instead of throwing money away on wasted energy, why don't you shove your exports into the drink?

Who cares about those carefully-wooded Japanese export orders, those hard-won contracts against tough-bargaining German competitors? Ditch the lot in the sea. Happily watch your profits float off into the sunset. You might just as well. You're probably throwing an equivalent amount of money away every year in wasted energy. Most small to medium size companies in Britain are wasting between 10% and 15% all the time without even realising it. On heating, lighting and power. Which means that if your fuel bills are £10,000 per annum, that's £1,500 wasted. If they're as high as £1 million, that waste could be £150,000. So, how can you stop it? First, call our Energy Quick Advice Service. It's a Freefone service to answer immediate questions on non-domestic energy problems. It applies to England, Scotland and Wales only and there are three different numbers. Dial 100 and ask for Freefone 3140 for buildings queries. For production and transport it's Freefone 6222 in England and Wales, and Freefone 8305 in Scotland. Second, use the coupon to send off for our wide range of energy saving technical booklets. They're free and cover many aspects of industrial energy loss. But most important, use the coupon to arrange for an Energy Survey. We'll send you a list of independent consultants. The one you choose will spend one day on your premises evaluating your specific areas of energy wastage. It'll cost you a modest fee, up to £60 of it now being paid by us. All kinds of things could come to light in his report. It may be a question of fitting a thermostat on the calorifier (in one recent report, it was discovered that hand basins were being supplied with water at 77°C.) There again, it may be a matter of using waste air from the air compressors to warm work areas. And with the money saved, you could afford to take on a couple more salesmen to open up new export markets.

Form for requesting energy survey booklet and consultant list. Includes fields for Name, Company, Address, and Postcode. A 'SAVE 11' stamp is visible at the bottom right.

HOME NEWS

CBI to have talks with Varley about industrial strategy

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

TALKS AIMED at reaching a compromise between the Government and the CBI on industrial planning and participation policies embracing planning agreements, the Bullock Report and the industrial strategy, are to take place next week. The Government wants to persuade the CBI to accept that companies should start planning discussions with their employees and with civil servants as a way of extending the present activities of the industrial strategy's working parties down into individual companies. The CBI has opposed this up to now because of a fear that the Government is using it as a tactic to introduce full-scale planning agreements. Now, however, the CBI might decide to tell the Government that it could be much easier to persuade companies to experiment in this area if they were told first that the Government had totally abandoned the Bullock Report on worker directors. At present the Government is intending to publish a White Paper by the early spring. This is expected to embrace the Bullock concepts and the alternative industrial democracy approach favoured by some unions of employees being given statutory rights to consultations and disclosure of information on company plans. At the same time, however, the Government is under pressure from its Left-wing because of its failure to produce widespread planning agreements in industry.

Steel users demand Government action

BY ROY HODSON

QUICK GOVERNMENT action on the steel crisis British Steel is losing £10m. a week—is demanded today by the British Iron and Steel Consumers' Council. Sir Richard Marsh, chairman, points out that British steel-using industries account for nearly 20 times as much employment and exports as British Steel itself. Mr. Gerald Kaufman, a junior minister at the Department of Industry, is heading an inquiry appointed by the Prime Minister to report on the country's long-term iron and steelmaking needs by next month. Target The Kaufman report will take into account recommendations from Whitehall and the steel industry that the nationalised industry should lower its sights for export business there is likely to be a surplus of steel in the Western world for years to come. British Steel has been working towards a theoretical target of installing enough new steelmaking capacity to export 6m. tonnes a year. Some experts think a more realistic export target to be nearer 2m. tonnes a year. That would include more than 500,000 tonnes to the U.S. Sir Richard says that any action to deal with British Steel's problems which would set its customers at a competitive disadvantage in world markets would be highly damaging to the British economy. Such moves would reduce the ability of British steel-using industries to create the wealth on which rising living standards depend. The best way out of the steel crisis, in the view of the Steel Consumers' Council, would be: 1—to pursue a realistic investment programme for British Steel to enable it to be thoroughly competitive internationally. 2—to regard the costs of closing steel plants in areas where unemployment is already high as a social cost which must be borne by the Government rather than the industry. 3—to give off British Steel's non-steelmaking activities to allow the corporation's management to concentrate upon the central business of steelmaking. 4—to write off accumulated British Steel losses which have been caused by direct Government intervention.

Laker seeks Skytrain route to Los Angeles

LAKER AIRWAYS has applied for a Skytrain route, from London to Los Angeles, bringing it into direct conflict with British Caledonian. The application, which the Civil Aviation Authority publishes to-day, is for daily return flights to Los Angeles at a round-trip price of about £250. British Caledonian said it would oppose Laker because it held a licence for the route. Mr. Freddie Laker, chairman of the airline, said he was confident that his application would be approved. "The political climate in the U.K. and the U.S. has moved dramatically in favour of the consumer. All the authorities now believe in the economic benefits of competition." He hoped that the permit would be granted in six months rather than the six years it took to start the London-New York Skytrain. Mr. Laker dismissed British Caledonian's claim to the Los Angeles route, pointing out that only British Airways had been designated under the renegotiated Bermuda Agreement for it. Orders have been placed for two McDonnell Douglas DC-10 wide-bodied jets and two Boeing 707 long-range fan-engined aircraft at a total cost of £44m. British Caledonian suspended its Los Angeles route in 1974 because of the fuel crisis while retaining its CAA licence. British Caledonian's planned objection to the Laker application means there will be a public hearing to decide whether the licence should be granted.



FREDDIE LAKE: Political climate is right.

£2.4m. loan by Crown Agents was 'too much'

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE CROWN AGENTS' £2.4m. loan, insufficient security and agreed to postpone indefinitely repayment of interest, the Appeal Court was told yesterday. The loan was made to Murrayfields Securities in December 1973. After it had been made the Crown Agents were told that it was £700,000—£800,000 more than the company needed. But the Crown Agents refused to accept immediate repayment of the excess, Mr. Lionel Swift, QC, said. Mr. Swift was appearing for the sureties for the loan—which was not repaid. They are challenging a judgment of Sir Robert Megarry, the Vice-Chancellor, last May. The sureties are Mr. Philip Frederick and Mr. Hyman Solomon, both of Roehuck House, Palace Street, Westminster, and 53-57 Baker Street (Investments) of Holborn Viaduct, London. They say the Vice-Chancellor did not deal with an important question of fact concerning an alleged oral agreement made by the Crown Agents and Murrayfields five days after the loan agreement. Sir Robert held that there was no hint of such an agreement in the correspondence between the parties and that a "high degree of gullibility" would be required for the court to accept that such an agreement had been made. Mr. Swift said the sureties wished to introduce the Fay Report on the Crown Agents as additional evidence in the appeal. "It appears to show that the Crown Agents were participating in transactions of a very similar kind, and of precisely the same kind, as the appellants say took place in this case." The hearing continues to-day.

Finnish buyer likely for Scottish Timber

BY RAY PERMAN, SCOTTISH CORRESPONDENT

SCOTTISH Timber Products, the U.K.'s largest independent chipboard maker until it collapsed three months ago, is likely to be taken over as a joint venture between Peltos of Finland and the Scottish Development Agency. The Finnish company, which also makes chipboard, has emerged as the front-runner of three potential buyers. The others, Kronospan of Wales and Bisonwerke of West Germany, have virtually dropped out. The deal is expected to be signed next week. The agency's involvement could be as much as 49 per cent. The new company will enter the U.K. market when demand is depressed and other manufacturers have asked the Department of Trade to consider import restrictions. Initially it might employ only about a third of the original workforce of 500. Peltos has indicated that the figure could rise to 250 if production increased. When it failed, Scottish Timber had a turnover of £9m. Strathgairn, and accounted for nearly a third of British production. The fall in sales this year combined with increased repayments on a loan raised in D-Marks forced the company into liquidation. Its debts have been estimated at £6m. Creditors include the Scottish Economic Planning Department and the Bank of Scotland. ment of Trade to consider import restrictions. Initially it might employ only about a third of the original workforce of 500. Peltos has indicated that the figure could rise to 250 if production increased. When it failed, Scottish Timber had a turnover of £9m. Strathgairn, and accounted for nearly a third of British production. The fall in sales this year combined with increased repayments on a loan raised in D-Marks forced the company into liquidation. Its debts have been estimated at £6m. Creditors include the Scottish Economic Planning Department and the Bank of Scotland.

Drink still the principal industry in Scotland

BY CHRISTINE MOIR

THE IMPACT of North Sea Oil has not displaced drink as Scotland's most important industry, according to a survey published yesterday. Only one oil company, Burmah Oil, features in the top 10 Scottish-registered companies ranked by sales, but there are two whisky distillers—Distillers Company and Arthur Bell—and one brewery, Scottish and Newcastle. The third largest company, after Distillers and Burmah, is Coats Patons, the thread makers, followed by the contractors Redpath Norman Long, United Builders, House of Fraser, Scottish and Newcastle, John Menzies, the booksellers, Weir Group, engineers, and Arthur Bell. On profitability, seen as the ratio of pre-interest profits to tangible capital employed, whisky exporting takes all top five places, headed by MacDonald Greenlees with D. and G. McCallum, William Sanderson, James Martin, and Distillers Agency close behind. Only a handful of the companies in the top 500 operate solely in Scotland. Most have a wide national or international spread. However, they continue to pay employees considerably lower wages than other foreign-owned companies in the U.K. or U.K. public or quoted companies ranked on a "national basis." Scotland's Top 500 Companies, 1976, Jordans, Dataquest, 47, Brunswick Place, London, N1. Price £22.

Inquiry to study costs of taxi services

By Elinor Goodman, Consumer Affairs Correspondent

TAXI FARES are to be investigated by the Price Commission, Mr. Roy Battersley, Prices Secretary, confirmed yesterday. The examination will cover the fares, costs and margins of taxis all over the country and will include mini-cabs as well as licensed taxis. The inquiry, which should be completed by the end of June, will not prevent London taxi fares going up by 10 per cent next week, though the commission could, when it has finished its investigations, recommend restrictions in prices in future. It could also comment on the way in which taxis are licensed by the Home Office and so entitled to ply for hire in a way which mini-cabs are not. Mr. Battersley said that he hoped the inquiry would show the varying costs of different kinds of taxi services. The Licensed Taxi Drivers' Association, which has often been at odds with the mini-cab operators, seems to be hoping that it will demonstrate the need for a further price increase. The association had hoped that the Home Office would allow its members to raise their fares by 25 per cent this month, but the increase was cut to 10 per cent. The Price Commission said yesterday that it was allowing Caudry Schwepes Foods to raise its prices by the full 7.2 per cent, the company wanted, while the increase was investigated. The rise was allowed under the profit margin safeguards written into the price legislation. Within the 7.2 per cent average, there will be much steeper increases on chocolate-based products.

Norwegian company sues Phillips for late delivery

FINANCIAL TIMES REPORTER

PHILLIPS PETROLEUM is to be sued for between Kr.350m. and Kr.400m. (£35m-£40m.) by the Norwegian company Niretyl for its failure to deliver on time its Teesside plant in Norway's Phillips Petroleum £28m. liquefied natural gas (LNG) plant. The delay has been caused by labour disputes, shortages of deliveries and bad weather at the Teesside site. The problem are estimated to have cost Phillips Petroleum £28m. in the total cost of the Teesside oil complex to £270m. Phillips had previously rejected proposals from Niretyl for an out-of-court settlement. These included suggestions that Phillips should make alternative feedstock available at the price previously agreed. Niretyl, one of the partners in Noretyl, said last night that a lawsuit would be averted only if there were a "new move" by Phillips in the very near future. Phillips said there was "nothing like this in the wind at the moment." It confirmed that a lawsuit was pending. "Deliveries of the natural gas liquids, ethane and propane, were not started from Teesside at the end of last year. Now Phillips will not start shipping the products in Norway until the end of next summer or autumn. The delay has forced Niretyl to buy feedstock on the open market at high prices. This has undermined the economic basis in which the Teesside complex was designed. Niretyl Hydro, whose partners in Noretyl are Phillips and Suez Petroleum, had a 10 per cent stake in the Phillips Norway Group.

Accountants fight council fraud

BY DAVID CHURCHILL

LONDON'S Westminster City Council has become the first council auditing staff were involved with the council's public service activities. A joint team of two City accountancy companies, the district auditor, and the council's own internal audit staff has long completed a pilot project among the council's 21 car parks, which produce £2m. a year in revenue. "Already, the investigation team has uncovered at least two cases of fraud by staff. Earlier this month, one employee was found guilty of misappropriating car parking fees and another of a completed audit. The council decided to commission Deloitte and Company in this country. The success of this type has been extremely wider experience of commercial auditing was needed to fight fraud. Mr. John Bamford, treasurer, said yesterday that council auditing staff were involved with the council's public service activities. A preliminary study of the council's accounts, the district auditor, and the council's own internal audit staff has long completed a pilot project among the council's 21 car parks, which produce £2m. a year in revenue. "Already, the investigation team has uncovered at least two cases of fraud by staff. Earlier this month, one employee was found guilty of misappropriating car parking fees and another of a completed audit. The council decided to commission Deloitte and Company in this country. The success of this type has been extremely wider experience of commercial auditing was needed to fight fraud.

Tax should go up on higher-tar cigarettes, says Ennals

BY STUART ALEXANDER

A BRITISH proposal for additional tax on higher tar cigarettes will be made to a meeting of the EEC Health Ministers in Brussels to-day by Mr. David Ennals, Secretary of State for Health. The proposal preceded publication on Thursday of a White Paper on prevention and health, which is also likely to recommend increased taxation on higher tar cigarettes and alcohol as a method of dissuading consumers. The Brussels meeting, the first of its kind, will bear papers from Britain and France and will cover the economic aspects of health, health education, and mutual assistance in the event of catastrophe or epidemic. However, Mr. Ennals is not likely to be given an EEC green light to introduce differential taxation in the U.K., nor will he be given Community support for the proposal to be introduced by the other members of the Nine. Instead, the matter is likely to be one of many to be referred back to the Commission for further study and consideration. The Brussels meeting, the first of its kind, will bear papers from Britain and France and will cover the economic aspects of health, health education, and mutual assistance in the event of catastrophe or epidemic. However, Mr. Ennals is not likely to be given an EEC green light to introduce differential taxation in the U.K., nor will he be given Community support for the proposal to be introduced by the other members of the Nine. Instead, the matter is likely to be one of many to be referred back to the Commission for further study and consideration.

Autopistas de Cataluña y Aragón, Concesionaria Española, S.A. D.M. 19,000,000 Fixed rate loan due 1984 guaranteed by Caja de Pensiones para la Vejez y de Ahorros de Cataluña y Baleares This financing was arranged by Richard Daus & Co. Bankiers vormals Hans W. Petersen and provided among others by Bankhaus Hermann Lampe Kommanditgesellschaft The undersigned acted as financial advisor to the borrower in connection with the above transaction. Smith Barney, Harris Upham & Co. Incorporated

Autopista de Enlace, Concesionaria Española, S.A. D.M. 32,000,000 Fixed rate loan due 1984 guaranteed by Unión Industrial Bancaria, S.A. Bankuniön This financing was arranged by Richard Daus & Co. Bankiers vormals Hans W. Petersen and provided among others by Allgemeine Deutsche Credit-Anstalt Banc Internacional Banc Gutzwiller, Kurz, Bungenzer S.A. Richard Daus & Co. Bankiers vormals Hans W. Petersen and provided among others by Deutsche-Schweizerische Bank AG Grundig-Bank GmbH Landebank Schleswig-Holstein Girozentrale Landesgirokasse Württembergische Kommunale Landesbank Girozentrale The undersigned acted as financial advisor to the borrower in connection with the above transaction. Smith Barney, Harris Upham & Co. Incorporated

Fish company near ruin, Appeal Court told A WEST COUNTRY fish-processing company faces ruin after the loss of its High Court action last month against a council ban on a proposed new £2m. factory. The Appeal Court in London was told yesterday. Western Fish Products, of Newlyn, Cornwall, successfully applied for expedition of an appeal against Mr. Justice Walton's dismissal of the company's plea to go ahead with the scheme and its claim for £2m. damages against the District Council. Mr. Justice Sparrow, QC, for the company, said: "The appeal is a matter of life or death. Plant and machinery bought at enormous cost are rotting away in buildings which are not weather-proof. The resulting loss runs into millions of pounds." The venture had been supported by a group of companies. There had been a chain reaction throughout the group and the financial consequences were serious. "We have missed one mackerel season and one herring season ahead of us next April, which, if our appeal succeeds, we might take some time to make up." Mr. Sparrow said. The planning application has been refused a "stop" order issued after buildings were completed with the earlier scheme and support of the council. The whole project was a waste of resources in an area of severe unemployment, he said. After the council raised objection to the matter, the Appeal Court was directed that it be brought to court as soon as possible to at least 10 days. The total ban lasted 20 days. central control. In particular, the proposed National Water Authority would "the balance of power to the centre." It was fortunate that all members of the new authority were appointed by ministers. On the proposed regional organs, the association welcomed the increased council representation, but said that it was "completely realistic" to believe that an increase of two or three councillors would be sufficient to secure the desired balance between the public and the water industry.

Handwritten signature: J. J. ...

The Norwich way is to speak the business language of Europe.

In France, perfume is a great industry and mimosa an important ingredient in its manufacture.

So it is on the hills above Grasse, where mimosa grows wild, that Monsieur

companies Lancôme know the value of expert advice. They appreciate that

Norwich Union are specialists with an informed and sympathetic understanding of their clients' business and its insurance needs.



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Norwich and you'll find they speak your language too.



Philippe Bonne of Norwich Union Insurance discusses with Monsieur Cetto, top parfumeur,

aspects of the business of their mutual client, Lancôme.

Why does a famous French perfume house like Lancôme turn to Norwich Union for important insurances?

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PARLIAMENT and POLITICS

POLISH SHIPS ROW

Cost to taxpayer £28m., says Varley

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE POLISH shipbuilding deal for British yards will cost the taxpayer £28m. in subsidies from the intervention fund set up to help the shipbuilding industry...

orders for a total of 48 ships. There now remained £10m. in the fund out of the original £58m. Mr. Nott had complained that British companies producing engines, propellers and other shipping equipment had been left out in the cold and could not get work as part of the Polish order...

Assurance on BA replacement aircraft By Ivor Owen IN CONSIDERING proposals for equipping British Airways with new aircraft, the Government will take account of "wider interests" as well as the commercial judgment of the airline itself...

Dell hopes textile industry can look to happier future

LEADERS OF Britain's textile industry will give the Government their views on the quotas now agreed in bilateral negotiations on the renewal of the Multi fibre agreement...

State industries sent list of guideline offenders

ALL NATIONALISED industries have been supplied by the Government with a list of the firms who have breached the pay guidelines, Mr. Joel Barnett, Chief Secretary for the Treasury, stated in the Commons yesterday...

Labour middle-ground policies challenged

MR. ANTHONY WEDGWOOD, Energy Secretary, last night fired the first salvo in a renewed campaign by the Left to secure a radical programme as possible for Labour to carry into the next general election...

Freedom

Mr. Davis made it clear that at present the evaluation of the relative merits of the various possible replacement aircraft was a matter for British Airways.

Workers

There was more criticism from the Labour benches about the recent speech by Mr. Ross Stainton, deputy chairman of British Airways, in which he indicated that it might be necessary for British Airways to buy foreign aircraft.

Minister waits for new Japan car sales figure

AFTER A significant increase in the level of Japanese car imports this year, future figures had to be "more acceptable" Mr. Michael Thatcher, Under Secretary, Trade, said in the Commons yesterday.

Pay strikes increase

INDUSTRIAL STOPPAGES arising from pay disputes in the first 1977, the number of stoppage months of 1977 showed a 14 per cent increase over the figure for the whole of 1976, MPs were told yesterday.

Benn puts energy-saving plan to cover cars and homes

A TORY CHARGE that Britain was the last of the major industrial countries to hunker forward for energy saving measures was rejected by Mr. Anthony Wedgwood, Energy Secretary, in the Commons yesterday.

Advertisement for Banque Bruxelles Lambert showing a globe with city names and contact information. Text: 'We've got the connections. Our network can reach all four corners. Our name may imply we're Belgian, but our network says we're international.'

Left beaten in defence debate bid

AN ATTEMPT, largely by Left-wing Labour MPs, to force the Government to hold a debate on supplementary estimates for defence totalling more than £427m., was defeated in the Commons yesterday.

Fitt anxious Ulster talks show have chance of success

THE MAINLY Roman Catholic political parties should have a reasonable chance of success, Mr. Gerry Fitt, the SDLP leader, said in a letter to Mr. Mason, that the party was anxious that the new round of Government talks with Ulster officials to clarify the terms which you base your decision before committing ourselves to a detailed talks with our party.

Halt to weapons growth urged by Owen

DR. DAVID OWEN, Foreign Secretary, yesterday called for practical measures to halt the growth of weapons proliferation. He told the Royal College of Defence Studies: "The ultimate object is general and complete disarmament under strict and effective control. This will require expert study and patient determination."

Bank opens

MRS. D. C. BRAY, Hong Kong Government Commissioner, yesterday opened the Hong Kong and Shanghai Banking Corporation's new branch in the West End of London.

Handwritten signature 'J.P. Smith' in a box.

APPOINTMENTS

Robin Herbert to be chairman of Leopold Joseph Holdings

Mr. Robin Herbert has been appointed to the Board of LEOPOLD JOSEPH HOLDINGS and will succeed Sir Hugh Weeks as chairman in the latter part of 1978.

L. J. A. Wood, at present accounts director to become finance director. Two special directors appointed by the company are Mr. A. J. D. Anstey, services, and Mr. D. E. Dyas, personnel.

changes have been made by PRUDENTIAL ASSURANCE COMPANY. From March 1 Mr. J. R. Powell will be assistant general manager (management services).

ADVERTISMENT DOWTAR FINE PAPERS Bruce R. Grant appointment of Bruce R. Grant as Vice-President and General Manager, Downtar Fine Paper Ltd. is announced by H. Robertson, President.

THE LIST OF APPLICATIONS WILL BE OPENED AT 10 AM ON WEDNESDAY, 15th DECEMBER 1977 AND WILL BE CLOSED AT ANY TIME THEREAFTER ON THAT DAY

1/4 per cent EXCHEQUER STOCK, 1981 ISSUE OF £900,000,000 AT £96.75 PER CENT

PAYABLE IN FULL ON APPLICATION (namely £96.75 for every £100 of the Stock applied for)

INTEREST PAYABLE HALF-YEARLY ON 12th JUNE AND 12th DECEMBER

Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Applications have been made to the Registrar of Companies for the Stock to be admitted to the Official List.

GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to issue applications for £900,000,000 of the above Stock. The balance of £100,000,000 has been reserved for the Commissioners for the Reduction of the National Debt.

THIS FORM MAY BE USED by Banker or Stockbroker claiming commission - VAT Regn. No. (If not registered put "NONE")

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1/4 per cent EXCHEQUER STOCK, 1981 ISSUE OF £900,000,000 AT £96.75 PER CENT

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND applicant named below requests you to allot to him/her in accordance with the terms of the prospectus dated 9th December 1977(a)

above-named Stock. The applicant requests that any letter or allotment in respect of the Stock be sent to him/her by post at his/her risk.

December 1977 SIGNATURE of, or on behalf of, applicant. USE BLOCK LETTERS. SURNAME OF APPLICANT. PLEASE MISS MR TITLE. FIRST NAME(S) IN FULL. ADDRESS IN FULL.

Applications for amounts up to £2,000 Stock must be in multiples of £200; applications for amounts between £2,000 and £50,000 Stock must be in multiples of £500; applications for more than £50,000 Stock must be in multiples of £1,000. Applications should be lodged at the Bank of England, New Street, Watling Street, London, EC4A 3DF.

Mr. B. H. S. Martin is to relinquish the chairmanship of MARTIN THE NEWSAGENT on March 31st at the age of 65, but will remain a director and will become life president.

Mr. R. C. Schwager continues as managing director. Mr. Alton W. Whitehouse has been elected chairman and chief executive of the STANDARD OIL CO (OHIO) from January 1 to succeed Mr. Charles E. Spahr.

The Lord Chancellor has appointed Mr. Patrick Medd, O.C., to be chairman of the BOARD OF REFEREES set up under section 26 of the Capital Allowances Act 1968.

Mr. Zvi Schloss is to relinquish his executive position with BANK LEUMI (U.K.) on February 1 to co-ordinate investment banking of the European subsidiaries of Bank Leumi le-Israel B.M.

Mr. P. R. R. Lewis has retired as a non-executive director of UNION CORPORATION and Mr. A. D. Croft will retire from the Board on March 31.

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The Management Page

EDITED BY CHRISTOPHER LORENZ

James Bartholemew describes how the Hestair group not only came through the financial crisis of 1973-74 but went on to consolidate and develop its assets.

A survivor from the go-go days

THE RECENT publication of two books on Slater-Walker has revived memories of a controversial era. Most of the go-go companies which were famous then — such as Jessel Securities, Vavasseur and Triumph Investment Trust — have disappeared or remain only shadows of their former selves. But Hestair, less famous at the time, survives. Why?

Starting rather behind the rest of the field, David Hargreaves, now its chairman and leading light, went through his "asset situation." He found it in Hestair — formerly the Heston Aircraft Company — which was incurring losses but was sitting on land right next to the M4 motorway. He bought the company in 1970 for £700,000 and immediately sold the land to a building company for over £1m.

Over the next few years he bought a great number and variety of companies and sold off their property assets for an immediate profit. The minor subsidiaries were usually sold off too, although significantly, the main activities normally stayed with Hestair. By 1973, Hestair was generating pre-tax profits at an annual rate of over £1m, and its shares reached a high that year of 176p.

When the widespread financial crisis developed in 1973, Hestair would have been in good shape to meet it had it been able to maintain its debt/equity ratio at a conservative 60 per cent. However, just before the quadrupling of oil prices it bought 50 per cent of the Ray Turner Group, whose interests included a Dutch book publisher and an employment agency. This deal was supposed to be very cheap since the sale of part of the group to a U.S. buyer had already been negotiated in principle. But once oil prices jumped, the American

buyer backed off. Hestair's gearing ratio thus rose to 200 per cent in the January, 1974, balance-sheet. But the situation turned out to be even worse than that. Having bought 50 per cent of Ray Turner, Hestair was committed under the City Take-over Code to make an offer for the rest. Hestair had never wanted to buy these other shares and when the market had been riding high there had been little likelihood that the formal offer would succeed. But the slump in equity values made the offer very attractive to shareholders who quickly accepted it. Hestair thus ended up with a total of 75 per cent of Ray Turner while its bank, Bankers Trust International, received 25 per cent. Hestair's debt/equity ratio between the 1974 and 1975 balance-sheets dates must have been considerably in excess of 200 per cent. This jump in gearing could not have come at a worse time. Minimum lending rate was then standing at 13 per cent, money was tight and Slater made his famous but ultimately unsuccessful "dash for cash."

Whereas the other high-flyers were stuck with unsaleable assets and had loans, neither of them produced income. Hestair had immediate access to the current assets and cash flow of its subsidiaries. Moreover the subsidiaries were profitable; which leads to the second, and most fundamentally important distinction between Hestair and many of its contemporaries. While most of the others were headed by whizz-kids with backgrounds in accountancy, stock-broking, merchant banking or property, Hargreaves was actually a bona fide industrial manager. His side-in-trade, after spending his twenties in industry and a further nine years in management consul-

ments, which had been bought tancy, was management technique. So when he stripped a company of some of its assets, he looked pretty sick when the profits were costing about 14 1/2 per cent and the stock market was in free fall. And the loans were often to other high-flying companies which were also in trouble or, even worse, to over-stretched property companies. The most spectacular example of this was Dennis Motors. This had been bought in 1973 and some of its land and activities were sold. There were shares existed but the book value was only £1.3m, compared with gross tangible assets of fact it stayed with Hestair. Financial controls were introduced, unprofitable lines terminated and up-to-date specifications for the components of each product insisted upon. The workforce was cut from 1,298 to 1,050 and natural wastages subsequently took it down further to 740. The idleness of the shop floor was alleviated by bringing personal officers from other local companies on to the site and giving them interviewing facilities. Many of the redundant Dennis workers obtained jobs in this way.

Having cut the operation down to a viable base, Hestair set about developing it. The production systems were re-organised and money was put into improving product design and marketing.

Then Hestair at last had some good luck. The jump in oil prices which had ruined the Ray Turner deal provided a spring-board for Dennis Motors. The new rich of the Middle East apparently wanted special vehicles like Dennis fire engines. The opportunity there was pursued with determination and exports rose from only £30,000, at the lowest point after the takeover, to an expected minimum of £12m in the current year.

But Hestair has also had successes where good luck was entirely absent. Profits growth at Stanbay (agricultural equipment) and SOS Bureau (an employment agency) for example have been in the face of difficult circumstances and the latter produced record profits in 1976 when some other employment agencies were in deep trouble.

In each case Hestair approached the problems on a wide front. In addition to close financial controls, which nearly all the conglomerates applied, Hestair revamped the management and marketing and production systems. For example, a look at the Stanbay brochures "before and after" Hestair's takeover shows the particular attention given to marketing. While on the management side, anyone who was not prepared really to devote themselves to the company simply did not last.



David Hargreaves with Hestair's best-known products: Dennis fire engines

Guiding light

Hargreaves was, and still remains, the guiding light who works out the corporate plan on which his companies are bought and sold. He also keeps a close eye on each of the operating subsidiaries and visits them all regularly. Every major investment decision and nearly all the hiring and firing of senior managers is approved by him.

These things apart, the running of subsidiaries is left to the managing directors who are made highly accountable for both success and failure. A spirit of competition for the best results between subsidiaries is encouraged. This "committed" style of manage-

ment is not to everyone's taste but it has proved effective. The survival of Hestair has therefore been based on two essential differences between it and many of the other high flyers of the early 'seventies': first, its preference for owning companies 100 per cent, and second, its ability to manage those companies actively.

However, doubts about Hestair and what it stands for remain prevalent in the city. Despite the undeniable achievements, Hestair is regarded with suspicion and Hargreaves personally is not a popular man. At the time of Hestair's ultimately unsuccessful bid for Spear and Jackson earlier this year, mud was slung at the Hestair record. It was pointed out that although impressive pre-tax profits of £2.1m. were shown in the 1974-75 accounts, the net tangible assets actually fell by £1m. The explanation is the extra goodwill which came into the balance sheet when the further 25 per cent of the Ray Turner Group was consolidated. But Hestair would probably have come out of it looking cleaner if its reduction in net worth had been explained in the 1975 chairman's statement. Hargreaves used the statement instead to expound on the successes and virtues of his company.

In general, Hestair's public relations has probably been the least successful part of the business. Part of the trouble has been Hargreaves' personal style. He himself says, "We are very sad about our reputation in the City. It must be our fault." And he admits, "We were too aggressive and too cocky in the early days. We were surprised by our own success."

A second problem is that the City is not sure how to categorise Hestair. Since it is a conglomerate, the image is diffuse anyway. But additionally there is its record of prolific buying and selling. Is Hestair an asset-stripper, a dealer in companies or an industrial group?

The answer is that, having started with an asset-strip and

Four ways to combat the Japanese

FOR A MANUFACTURER faced with intense Japanese competition, there appear to be four main options. One is to be waging a vigorous propaganda war designed to convince the Administration and the public that steel imports, especially from Japan, pose a threat to the nation's well-being which is as serious as its dependence on Middle East oil. There have been a number of plant closures which, though partly due to operating inefficiencies and a lack of investment in the past, have been blamed entirely on imports. More recently the industry has threatened to flood Washington with anti-dumping complaints. The first fruits of this campaign materialised last week. The Administration is planning to introduce minimum reference prices as a means of keeping out imports which are "unfairly" priced. The industry has given a cautious welcome to this scheme, but there is anxiety

and this points to a potential flaw in the defensive strategy — about the other measures suggested by the Administration. These include a tripartite committee of representatives from government, management and trade unions which would examine the problems of the industry (shades of Britain's sector working parties), and assistance with finance for modernisation.

The clear danger is that, having invoked the aid of the Government to keep out imports, the industry will find the Government taking an unhealthy interest in all aspects of their business. There are mutterings about creeping nationalisation.

and more Japanese companies ruled out by Leyland's co-operation agreement with them are unfamiliar with the Renault. A partnership may also have the effect of opening up the Japanese market for the Euro-pan company concerned. The of hysterical opposition from domestic producers. Further, the Japanese may wish guard employment for the 4,000 people involved in the business. Much the same argument could apply to those European companies now fighting what may be a losing battle against the Japanese.

Geoffrey Owen

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world press
MARCH 1978

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FINANCIAL TIMES SURVEY

Tuesday 13 December 1977

SPAIN

Despite—some may say because of—its growing economic problems, political and social change in Spain has reached the point where it probably cannot be reversed. But there is still ample evidence of the Old Guard.

Under impetus of change

by Robert Graham Madrid Correspondent

JUDGMENT OF THE changes in Spain since General Franco's death in November, 1975, is like a definition of beauty: dependent on the eye of the beholder. Spain has changed and Spain has moved quickly towards restoring itself into a parliamentary democracy. Yet many of the old institutions and personalities that sustained the dictatorship still remain, at times in new guises.

The extent of the transformation is deceptive because it has proceeded so orderly. From the inference of power to King Juan Carlos through the holding of Spain's first democratic elections since 1936 in June to the establishment of a moderate government under Sr. Suarez, a sober conservatism has prevailed. At times it seems as though it is some orchestra playing the same tune under a different conductor.

Professional Services, formally incorporated as a state body with some 30,000 employees and a special budget of \$300m. Its precise functions are unclear although it has not interfered with the legalisation of trades unions (which are very short of funds).

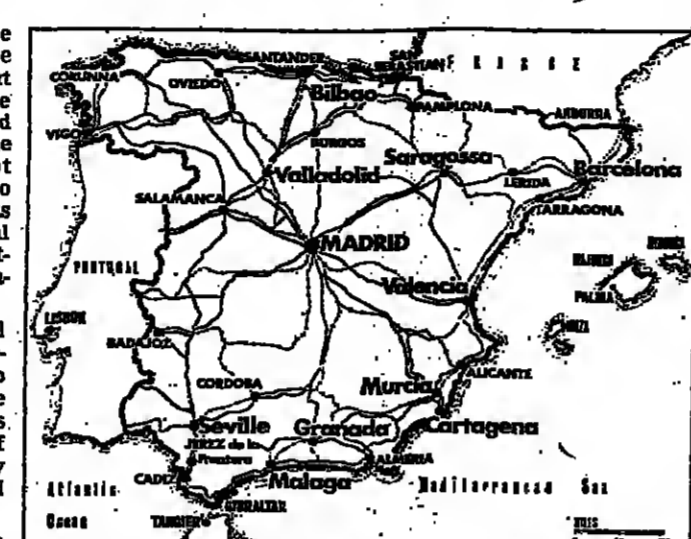
Many members of the movement, the political institution which sustained Francoism, have now moved into the political parties, not the least of these being the Prime Minister himself, Sr. Suarez. The principal sources of power, which supported Franco, are still clearly identifiable. The armed forces, the guardians and guarantors of Franco's Spain, have not been purged. When the Communist Party was legalised just before the June elections, it prompted Sr. Suarez, a sober conservatism has prevailed. At times it seems as though it is some orchestra playing the same tune under a different conductor.

not been disbanded. Extreme right-wing organisations are shown a degree of tolerance that the left does not enjoy despite the odd token arrest. Armed right-wing militant groups, like the picturesquely named *Los Cuadreros de Cristo Rey*, are able to carry out acts of thuggery and political violence like the burning of left-wing bookshops often unreported in the Press.

Added to this, the financial structures which provided life-giving support to the Franco regime remain in place. The banking system in particular is still basically in the hands of families or institutions run by individuals who regard democracy with mistrust.

All these elements are a strong restraining force on the restoration of democracy in Spain, accounting in large part for the kid glove approach of the King and the political parties. Nevertheless, it is difficult to strike a median between exaggerating and underestimating the strength of these forces. This applies especially to the role of the armed forces. In many respects the fate of these Francoist power structures is like that of the redundant executive who is given a salary, a title and an office but little to do. Events are passing them by.

The armed forces may not have been purged of any members, but they now have a liberally-minded Minister of Defence, General Manuel Gutierrez Mellado. The General,



institution of monarchy. This could not be taken for granted at the outset, or indeed when the seven-man inter-party constitutional committee began to frame a new constitution. In the event, according to the recently leaked constitution text, Spain will opt for a "parliamentary democracy," the King acting as the symbol of national unity but subservient to Parliament.

Parliament, six months old, has had neither the time, nor the real authority in the absence of the formulation of a new constitution, to prove itself. Decisions have tended to be made at the level of party leaders. Nevertheless, the accountability of government has been evidenced by the broad programme of political and economic reforms known as the *Mocloa* Pact which Sr. Suarez persuaded the opposition Communist and Socialist Parties to sign in October.

Sr. Suarez knew that to obtain a form of social contract, binding the country's workforce to an unpopular limit on wage demands, was impossible without the active support of these two parties. The trade-off was a Government commitment to implement a whole series of structural reforms in education, social welfare, housing and tax matters, very much aspects of the opposition Left's electoral platform.

One suspects that the politicians' general lack of ideological recrimination and their seriousness in trying to

resolve the political and economic problems bequeathed by Francoism is geared more to impress the general public at large. In this sense the potential threat from the military has acted as an effective dampener on political extremism. Not to be neglected either is the cumulative influence of Western Europe and the U.S. in wishing to see a smooth transition to democracy and integration into the European Community. The international climate differs substantially from the alarmism of the days when the generals took over in Portugal.

At home the political timetable provided there are no interruptions, is expected to run like this: municipal elections will be held in the spring. This, coupled with full union elections for factory works councils, will give the first real indication of the country's mood; the Constitution will then be approved in the autumn so paving the way for new general elections.

There are two unknowns in this scenario. Spain is attempting to introduce democracy at a time of economic recession and rising unemployment. Economic performance will be a determining factor in political stability and in retaining the style of consensus politics that Sr. Suarez has adopted.

The other unknown is how demands for regional autonomy, accepted in principle by the government, will develop. The recent violent riots in Malaga provoked by the local authorities' refusal to fly the Andalusian flag are a reminder of the volatility of the situation. Likewise the disruptive capacity of those elements in the Basque Nationalist Front (ETA) that still insist on violence should not be underestimated. Nevertheless, Spain has come far enough down the road of democracy to take some stopping.

For instance the former Ministry of Information, previously responsible for Spain's press censorship, has transformed into the Ministry of Culture and Tourism. The building is the same and so are the servants watching over the ring number of publications, serious and frivolous, that are meant to attract readers from a generally deprived public. The *sindicatos verticales*, the all-racing labour organisation of the Franco era, has lost its lustre but is now operational as the Institute of Social and Pro-

Mentality

The security forces and the police remain the same which enforced order under the dictatorship, and their mentality appears to have altered little, evidenced by the cavalier way they continue to treat demonstrators or the withholding of arrest announcements—sometimes up to three days after the event.

The numerous intelligence services, beholden to various ministries or the military, have

appointed by the King to run a reorganised ministry which controls all arms of the services, made a symbolic gesture before taking office in July—he voluntarily renounced active service in the armed forces.

More generally, the armed forces, if they have acquired the minimum sensitivity to public opinion, should realise that if the military sought to influence the political process, too clumsily they would provoke a strong popular reaction.

Just as significant, the financial structures of Francoism, though surviving, are under pressure because of the recession. Bank secrecy for the first time has been lifted for tax purposes and the so-called "privileged circuits," funds

made available at special low interest rates, are being reduced. The banks are adopting a low profile and for the elections, while sympathising with the right, are said to have handed out funds to most of the major parties to hedge their bets.

The fundamental change taking place is that of the accountability of power. King Juan Carlos obtained his power through a simple transference from General Franco and even now there is no proper constitutional basis for wielding this power. But by careful consultation with all shades of opinion and by showing deference towards the establishment of a parliamentary democracy, he has gained acceptance for the

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Isolation

General Franco turned Spain into a diplomatic leper and only this year has the country begun to emerge from this isolation. For instance Sr. Suarez's visit to London in October as part of a round of Common Market preliminary soundings was the first official visit to the U.K. by a Spanish Prime Minister since the Civil War. Diplomatic relations were restored earlier this year with the Soviet Union and East European ministerial delegations have begun for the first time since the Civil War to visit Madrid. Priority is now being given to the application to join the EEC. The overall Community belief, shared by the majority of the leaders of the Spanish political parties, is that the sooner Spain is accepted as a member of the

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SPAIN II

Economy faces threat of deepening recession



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SPAIN IS now experiencing its first real economic crisis since the industrial boom began in the 1960s. The indicators, whether official statistics or polls of business opinion, point in one direction—towards a deepening recession. Unemployment is rising with some areas, especially the south, recording the highest unemployment ratios in Europe. Even official statistics, which are very much on the conservative side, show the jobless total up by over 50 per cent. on last year. Credit is being squeezed, while both demand and investment is falling off, the most noticeable sectors being capital goods and construction. Added to this, Spain is saddled with an inflation rate now running just under 30 per cent. a year—the highest rate within the OECD.

This is a gloomy catalogue, and it is worth adding one important rider. Although there is little dissent as to the present state of the economy, opinions vary enormously as to likely performance in 1978. A turnaround hinges on the success of the broad economic programme—the Moncloa Pact—formally approved in October by both the main opposition parties and the Government. The programme has thus far had no time to demonstrate whether it is working and judgments will only be possible by April or May next year.

Nevertheless the optimists—and there are a surprisingly large number among those closely involved with the economy—believe Spain is now approaching the bottom of the trough. They believe that the credit squeeze is having the required effect and that major improvements have been already made in reducing the payments deficit. The pessimists, on the other hand, consider that the problems inherent in implementing the Moncloa Pact will lead to its failure, with a continued unacceptably high level of inflation, a wage policy in ruins and no improvement in business confidence.

Superficially at least some of the symptoms of Spain's economic crisis are the same as those experienced by Britain and Italy after 1973. But this similarity should not altogether obscure the more complex origins. At one level Spain's current problems stem from its rapid transition from an agricultural to an industrial society based on cheap labour and cheap sources of energy—and once the price of energy rose in 1973, from failing to take sufficient heed of the consequences. More generally Spain is paying the price for the authorities' neglect and its own protectionist policies to be taken for granted.

At least 10 per cent. has been lopped off original spending estimates, but even so the Government has been obliged to adopt a much more socially orientated budget with increased funds allocated to education and more particularly to social security. Thus spending will still increase at over 25 per cent.

Social security has for the first time been incorporated into the budget, as part of a major reshaping of the budget format, and accounts for 40 per cent. of the proposed total outlay of Ptas. 3,207bn. It is hoped that the inflationary effects of these increased expenditures will be offset by increased direct and indirect taxes which will raise fiscal revenue by some 25 per cent.

The pact envisages new guidelines to cover the financing of the overall budget deficit. The most important of these is the resort to a large public debt issue for the first time. Approval has been given to two issues of Ptas 20bn. each, the equivalent of \$240m. The first was launched in early December. Both will carry an attractive 10.25 per cent. interest rate, boosted by tax

write-offs making the rate considerably higher. In addition, authorisation has been given to borrow abroad to finance the deficit.

As for wages, the pact has placed a 25 per cent. annual average ceiling on demands for 1977—applicable to all claims agreed after the pact regardless of whether negotiations had been started before that date. The norm for 1978 is a 22 per cent. ceiling, reviewable next July if inflation fails to come below 25 per cent. (on an annual average basis). The economists within the Government argued for a lower ceiling of between 15 per cent. and 17 per cent., but this was rejected as politically unacceptable.

The macro-economic projections of the planners—largely the work of Prof. Enrique Fuentes Quintana, Vice-Premier in charge of the economy—are that the domestic product will have a 1 per cent. nominal growth in 1978. Capital formation will decline in real terms by 2.5 per cent., while overall consumption will remain static. Imports will be held to a nominal real growth so allowing for a reduction in the balance of payments deficit from the 1976 high of \$4.2bn. to \$2.8bn. by end-1978.

The programme has started with one advantage. Market forces created by high inflation, linked to longer term structural reforms also agreed in the Moncloa Pact. These constitute a radical overhaul of the outmoded Francoist economic system that allowed the private banks to build up unprecedentedly powerful positions in industry, protected through cheap credit, protected incompetence and poor management by lack of accountability, and ignored a fair distribution of wealth.

Now the tax system is being re-written, the banks are being put under scrutiny, the interest

Principles

Market principles are fine if the social and political consequences of allowing, say, the shipbuilding industry's lame ducks to go to the wall are ignored. The threat of large-scale unemployment may be a department to exaggerated wage claims but not letting unrest provoked by just letting industries disappear. A test case in this respect is the shipyards at Cadix where work is drying up at a time when the industry has almost 40 per cent. excess capacity.

Projections

The success of these harsh remedial measures is closely linked to longer term structural reforms also agreed in the Moncloa Pact. These constitute a radical overhaul of the outmoded Francoist economic system that allowed the private banks to build up unprecedentedly powerful positions in industry, protected through cheap credit, protected incompetence and poor management by lack of accountability, and ignored a fair distribution of wealth.

In other words there is a limit to which the authorities can deflate the economy. But equally they cannot afford to stimulate recovery too early without undoing all the beneficial effects of the squeeze.

Observance of the wage ceiling will be crucial in this respect. Some 2.3m. workers are now affected by negotiations in progress for new wage agreements. If these major agreements in such sectors as the motor industry proceed smoothly then by next April the authorities should be able to think of easing the pressure. However, at the moment there is no guarantee that wage negotiations will go smoothly and this could then upset all the calculations.

Robert Graham

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Delays

These errors have been compounded by inevitable delays in economic decisions resulting from the vacuum created by Franco's death and the 18-month transitional period up to the elections last June. For instance, the 20 per cent. devaluation of the peseta agreed on July 12 last was a move which should have been taken much earlier, and the delay cost the reserves over \$1.2bn.

Reluctance to devalue was natural in the absence of an overall economic strategy. This strategy began to be formulated after the elections but devaluation (which became effective in August) were the only important elements implemented

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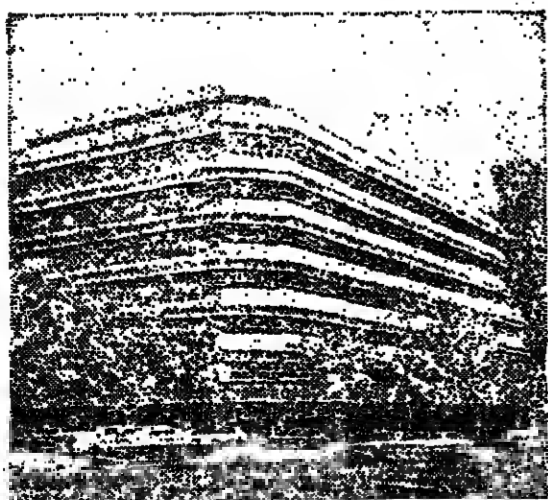
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Politics move toward a balance

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His critics claim that he is nothing but a clever opportunist with no political depth. But even they do not, or rather cannot, conceal a certain jealous admiration for the manner in which he has raised his stature in such a short time above his fellow politicians and steered through many a hostile water. From being Secretary General of the Movimiento, the political organisation that sustained Francoism, to being accepted by the Communist Party leadership as a viable partner in a form of consensus politics is no mean achievement. To do this shows his lack of ideology—but this has been his strength in dealing with the opposition and has helped to provide the all important low key atmosphere during the delicate transition period from the ending of Franco's dictatorship to the establishment of a fully fledged democracy.

Results

But as distance begins to separate the electoral results of last June and the performance of his Government his time to be judged, this lack of ideology creates problems. Sr. Suarez formed the Democratic Centre Union Party (UCD) as a means of providing a common front of Christian Democrat parties with "Centrist" leanings to fight the elections. The Party, containing 12 main groupings, was formed only on April 23 last—less than two months before the elections. The Party itself was not formally constituted until August after it had obtained the single largest number of parliamentary seats.

Partner

Because Sr. Suarez has sought to push the PSOE to one side, he has found a much more natural political partner in piloting Spain through the delicate transition period in Sr. Carrillo of the Communist Party. The principal soundings on obtaining formal opposition approval for a joint programme of economic and social reforms were made with Sr. Carrillo, and there is even a story that when the PSOE first set down to discuss the Moncloa Pact the Communists had all the documentation and they did not.

Results

He has moved even further by making the main opposition parties, the PSOE and the Communists, agree to become party partners in these reforms by signing the Moncloa Pact in October. The pact embodies the government's main programme of political and economic reforms.

By seeking to cut the ground from underneath the feet of the opposition, the Socialists in particular, he has done two things. He has shown that the PSOE represents his real electoral threat. Equally important he has given the UCD a Centre-Left tilt. It is not known to what extent this has been against the wishes of UCD

British Labour Party so strong electorally. The UGT, the second main union, is Socialist-orientated but not PSOE controlled; its voting pattern is not yet determined.

Without any scientific evidence to prove it, a sizeable proportion of the Centrist vote went either to Sr. Gonzalez because people were afraid that Sr. Suarez would be too closely associated with the hardline Right (people like Sr. Manuel Fraga) or to Sr. Gonzalez because they feared Sr. Suarez would be too radical to the Left. None of this has happened, if anything the opposite.

Thus voting patterns in the all-important municipal elections, to be held early next year, are hard to define. The opposition parties cannot really act as opposition since Sr. Suarez has chosen to play consensus politics. This has been reflected in Parliament, too, where debate has been generally turgid and where the duties have acted mainly as signatories of legislation.

This situation of consensus politics is based upon self-interest and, if it is charitable, an element of genuine patriotism in a difficult moment for the country. The self-interest of the Communists and the Socialists is that by co-operating now in a transition to democracy they will ensure that democracy works—and in a fully functioning democracy they believe their objectives of gaining power can be realised. Sr. Suarez, on the other hand, needs these two parties as partners to make them co-responsible for unpopular policies like wage ceilings and a credit squeeze.

At the moment it is hard to escape the conclusion that Sr. Suarez is the chief beneficiary—for if the Moncloa package succeeds the main credit goes to him and if it fails, he can make the other partners also responsible. However, he can only capitalise on this in the longer term if he can mould a coherent party framework within UCD, something which has so far eluded him.

R.G.

Handwritten signature or stamp at the bottom of the page.

GROWTH IN SPAIN

FACILITIES FOR FOREIGN INVESTMENT

It is obvious that Spanish economic development during the past fifteen years has been attained through an increasing process of integration between Spanish and the World's economies, and as part of this process foreign investment in Spain has played a crucial role.

In effect the three main pillars of Spanish economic policy which has been used for the past two decades have been the consequence of a total flexibility of the economy in order to adapt it to the schemes of a market economy, the maintaining of a realistic rate of exchange and its handling according to International Monetary Fund regulations as well as foreign investment as a support of the economic expansion process.

Foreign investment has made it possible to obtain the additional amounts of capital needed in order to achieve the forecasted rates of development, simultaneously with the income for foreign payments required to offset our trade balance which was strongly influenced by the rapid growth process and, last but not least, it has also supplied the technology needed to improve business methods and production processes.

With a climate of freedom for the exercise of their economic activities, foreign corporations have obtained during the last years satisfactory levels of yields in a market with a great dynamic growth. In this economic climate, the total amount of foreign investment has been very important, especially direct investments, namely those

that materialise in the control of Spanish companies by foreign capital, which amounts to an annual figure of 300 million and 400 million dollars and have contributed as a principal element to the favourable course of the Spanish economy. At the same time, an important flow of capital serves both as a receiver of investments and also for new investors, as a valid reference in our market.

The wish to attract foreign capital has not changed in the government's declarations insisting in the function that is being left for foreign capital in Spanish economy. To this effect liberal and wide legislation allows participation of foreign capital without government intervention up to 50 per cent. of the total capital of the company and there is also quite a liberal system granting authority for higher percentages. The latter is easily obtained.

On the other hand, growth expectations for Spanish economy are reasonably good: there is still an abundant supply of labour, fairly well trained, or with easy training capability, productivity increases of the Spanish economy which stand well over the OECD average still have great possibilities for improvement and, finally, internal demand in rapid evolution offers an interesting market.

If we add to this, as figures show, the country's great possibilities as a platform of concurrence for third markets, we can have an idea of the attraction for foreign investment that Spain maintains.

OVERSEAS TRADE EXPANSION

Growth in Spain in recent years was brought about by a remarkable expansion of Spain's foreign sector. Imports in 1959 amounted to 8 per cent. of GNP. Last year this figure nearly doubled (15 per cent.). Other items have followed the same pattern. Tourism, for instance, leaped through the sixties to levels that would have aroused incredulity only a few years before.

The fast rate of growth has only been possible thanks to the avidly needed purchases of foreign goods by domestic industries. Economic growth thus explains the upward trend of imports. The removal or reduction of tariff barriers to trade has played an important part in this. Spain, a member of most international economic institutions, has made clear to the EEC its intention to become a full member as soon as possible, considering the present 1970 Treaty for political as well as for economic reasons.

The build-up of new industrial products highly competitive everywhere. Many would be surprised to know that in 1975 only 23.1 per cent. of Spanish exports were made up of agricultural goods, 23 per cent. of summer goods, 21.5 per cent. of investment goods and the other 33.6 per cent. raw materials and semi-manufactured commodities. Spain is no longer an agricultural country. Food is no longer the basic export product, as is still widely presumed. Ten years ago it accounted for 46.7 per cent. of total exports, and investment goods for only 10 per cent. The widespread re-adjustment in trade structure stands as the best proof of Spain's economic vitality.

A growing number of customers all over the world rely on Spanish technology and craft. This breathless growth rate has put the trade balance under severe strain. Until the oil crisis, exports, tourism and migrants' transfers covered import payments comfortably, thus levelling the balance of payments on current account. Heavy reliance on imported oil, as it lacks energy resources, has made Spain's world's most unfavourable (37.3 billion), despite the 7.3 per cent. growth in exports, amid a general trade slump. The overall surplus on visible earnings was not enough to outweigh the deficit on visible trade, the current balance showing a \$3.5 billion deficit in 1975. Continuation of a trade deficit was thus foreseen and fashioned a widespread conviction that the Peseta was overvalued. The recent devaluation has set Spain on the road towards external balance in the short term. In the medium term the situation seems quite manageable, as the Official reserves amount to more than \$5 billion. Spain will finance its next current balance deficits without any stress. The favourable trends already shown by the western economies, will help Spain to level its external balance, as foreign customers and visitors will see their purchasing power increased by the economic recovery. Becoming an EEC partner will also help by giving Spanish products free entrance to a much larger market. Western Europe would also gain a dynamic structure, thus resting on a proof of Spain's economic secure base.

HIGH ECONOMIC GROWTH RATE

Spain is one of the countries which has experienced a high economic growth in the last fifteen years. The annual rate of development during this period has been 6.7%, remarkably higher than those of France, West Germany, and even the United States. This country, with a privileged geographical position, between two continents, and with access to three great seas, enjoys a great potential for development, with its abundant labour force and its capacity for investment and rapid assimilation of technological progress. This profound process of economic growth is evident in the evolution of the main indicators. In 1960, Spain's per capita income was slightly over \$300 and in 1975 this figure has grown to \$2,000.

One of Spain's most important economic resources is its human capital; its population enjoys improving qualifications and productivity. The Spanish population has experienced a strong expansion, showing an increase of 16% during the last fifteen years, therefore contributing to an important rejuvenation of its potential labour force which, in spite of the considerable and constant increase of employment levels, could be completely absorbed only with difficulty in the future. The surprising development of Spain has consisted not only of a quantitative economic magnitudes but also a profound transformation has taken place in the production system. This becomes evident in the evolution of the relative sectors of production from different economic areas. Agriculture has slowly yielded its traditionally important role in favour of industrial production and services. Capitalisation of agrarian production and the constant movement of the labour force towards other sectors has improved productivity in the land and has brought about a change in the economic profile of Spain. From being a country of great relative agrarian output she has become a strongly industrialised nation. Agriculture in 1960 accounted for 23% of its GNP and to-day it is only 10%.

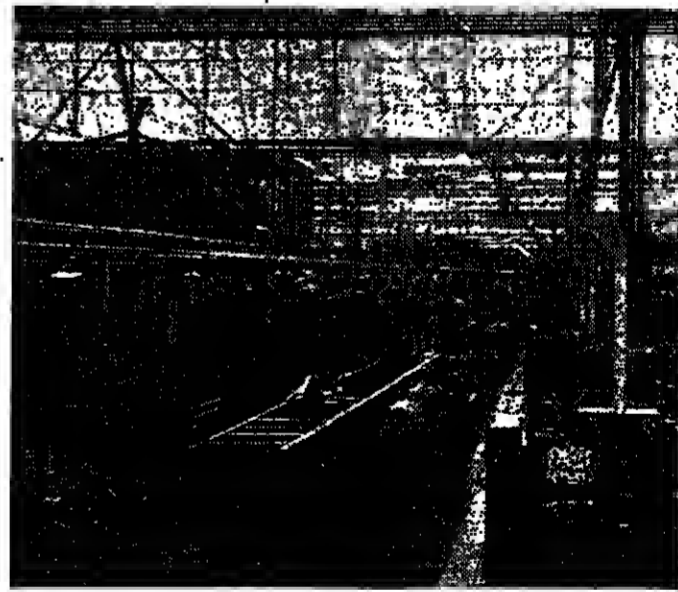
It is well known that to-day Spain is one of the world's biggest industrial countries. Industrial growth has experienced one of the greatest increases this century, comparatively higher than those shown by countries with really outstanding industrial progress like Italy, West Germany or France, and even comparable to Spain's remarkable process of industrialisation. In the services field, Spain has also reached considerable expansion helped to a great measure by the important sector of tourism. This feature is well highlighted by the number of visitors from abroad which has increased from six million in 1969 to more than 30 million in 1975 (Spain's population is thirty-five million). In the same way as the boom in the Spanish economy took place after overcoming isolationism and with the departure from the so-called economic and political autarchy at the beginning of the sixties, the start of a wider process of incorporation into Western institutions taking place in Spain can now lead to a new stage of growth on a quite different and stronger base. More active competition with European market, extension of commercial activities in international markets, introduction of new management techniques, attraction of foreign investments, among other factors, will help very effectively to maintain the high rates of growth and start a new process of development within "new frontiers" more in accordance with the Western institutional framework.



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SPAIN IV

Foreign links expand

IN THE TWO YEARS since the death of General Franco, Spaniards have had ample problems to keep them occupied at home. Outside the ranks of the professionals, the amount of thinking that has gone into problems of foreign policy has been limited. So although the broad outlines of the kind of new democratic Spain will aspire to in the world are visible, they may be subject to substantial revision in the next year or so.

Even on the major initiative that Spain has taken in foreign policy — the application last July to join the European Economic Community — the amount of hard thinking that has been done on the implications of the EEC, backed by all parties, is also supported, and indeed taken for granted, by most of those Spaniards who have any views on the matter.

Primarily, Spanish entry is desired on political grounds, but even these are to a substantial extent psychological. After decades of Francoist isolationism, saturated with memories of the long-dead glories of the Spanish past, Spaniards want to join in a common European destiny, and they also want to consolidate the democratisation that has been achieved by joining the European democratic club. There are other concrete aspects to this—for instance the feeling that so many decisions which affect Spain are made in Brussels that Spain needs a voice there—but essentially in political terms, the Spanish application expresses a wish to break with the past and come out of the cold.

In economic terms as well, joining the EEC tends to be argued for in terms of very general concepts—the need for Spain, if it wants to be a fully modern industrial country, to learn to live without Francoist dirigisme and protectionism, to stand up to the cold winds of competition.

When the start of negotiations forces Spaniards to think more precisely about the implications of membership, it is quite likely many more people will begin to doubt whether Spanish industry, for so long used to high tariffs, will be able to adjust itself sufficiently to face the full blast of EEC competition, even given the eight year transition period which is talked of by Spanish officials. This is especially likely to happen, if as seems likely, Spain finds itself facing tough negotiating positions, particularly over economic issues, and if groups inside various member countries display outright opposition to its application.

For although the governments of the Nine are most apprehensive about the prospect of rebuffing—and perhaps jeopardising—the fledgling democracy, the prospect of Spanish entry threatens important interests of certain members. What is worse, it poses in unavoidable terms certain fundamental problems of the Community on which the Nine themselves are badly split.

The single most important problem, of course, is that of Mediterranean farm products, of which Spain is a major and low-cost producer. Powerful farming lobbies in France and Italy—whose farmers would be severely threatened by Spanish imports—would require aid to protect Mediterranean products as a precondition of enlargement. But the cost of extending even the existing Common Agricultural Policy to Spain would be exorbitant, even without such new aid. It remains uncertain whether the Nine are

capable of devising any compromise over agricultural policy which would accommodate both France and Italy and the other members.

Spanish entry also poses the problem of regional policy, as the extension of the present regional policy to Spain would again be prohibitively expensive. Again, the extension of the Community from nine to 12 members will bring up the question of decision making in the Council of Ministers, and also that of language. And beyond such prickly questions, there is also the more fundamental prospect that in enlargement, the Community would move much further in the direction of a looser free trade area, dominated by its more powerful members, a prospect which alarms the smaller countries among the Nine.

Democracy

If, as seems likely, Spain's new democracy continues to consolidate itself in the next few years, current inhibitions among the Nine about rebuffing Spain may become less powerful. Thus, particularly as the Spaniards have set their face against any kind of half-way house membership, the possibility that Spain may not actually join the EEC should by no means be discounted.

Spain's desire to come out of the cold is much less apparent when it comes to the question of NATO. Though NATO as such has not taken a view, there is a fair consensus in the organisation that it is important for Spain to be a member, given its strategic importance for the Mediterranean and Atlantic. The United States, in particular, was very active up to about 18 months ago in promoting the idea of Spanish membership, but has now taken a much lower profile, on the grounds that any apparent pressure could be counter-productive, and that if Spain joins it must do so of its own free will, with the backing of a certain national consensus.

The Government of the Union of the Democratic Centre itself generally supports the idea of NATO membership, but has no intention of acting on its own in the matter, and has made it abundantly clear that the issue must be fully debated by the Spanish Parliament. The problem is that not only the Communists, but the Socialist Workers Party under Sr. Felipe Gonzalez, are opposed. While the Communists have expressed willingness to see the United States retain its bases in Spain, the Socialists have traditionally opposed this—though recently Sr. Gonzalez has suggested that the party would accept the status quo for the time being, and defer its objections until the agreement with the U.S. has to be renegotiated in 1981.

The opposition of the Left-wing parties to joining NATO reflects a desire to avoid entanglement in the struggles between the power blocks and

the superpowers, and also a strong anti-U.S. feeling. However, the amount of thought which has gone into this is fairly limited; the Americans in particular feel that the Socialists over-exaggerate the specific commitments which joining the Organisation—let alone just the Alliance—entails. How far it is really possible for Spain to maintain its security and conduct an active foreign policy outside the power blocs is a matter which has yet to be publicly debated, and various of the Nato powers are certainly hoping that when it is, certain attitudes may change, particularly among the Socialists.

Meanwhile, the Spaniards have also been trying to cultivate their links with the Arab world — King Juan Carlos visited Saudi Arabia earlier this year—both in order to secure investment, and increased participation for Spanish firms in Middle East projects, which they have so far had little success. And they have also been trying to develop ties with Latin America — and though Spaniards like to toy with the idea of Spain as the intermediary between Latin America and Europe, there is also the concrete desire to develop exports to the kind of less developed economies which want what they have to sell.

Meanwhile, relations between Britain and Spain are still complicated by one legacy of the past—Gibraltar. While there is no desire on the part of the British to hold onto the Rock indefinitely, the climate of opinion in Gibraltar—and in Britain makes an early agree-

ment to return it unlikely. Despite various rumours, an early lifting of the Spanish blockade also appears unlikely.

One legacy of Spain's own colonial past also continues to hamper the present Government—the problem of the Western Sahara from which Spain made a somewhat ungracious exit by the so-called Madrid Accords signed two years ago. There are fears that what was effectively become a conflict between Algeria and Morocco might end with one of them dominant in the Maghreb. Algeria's domination is a particularly worrying prospect in view of the terrorist activities of the Algerian-backed Movement for the Self-Determination and Liberation of the Canary Islands, marginal as this is to the real aspirations for autonomy of the islands. There are also fears that the Polisario — having swelled to a number of state in the area, may in fact become the source of a semi-permanent instability, in an area where Spain would find it rather too close for comfort.

The Socialists have in fact come out in support of the Polisario, and grandly denounced the Madrid accords. This stance might be embarrassing to them if they actually came to power. But this, like the NATO issue, provides the Socialists with room to disagree with the Government—which, committed as they are to collaboration on domestic policy, they badly need.

David Habakkuk

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Banking in urgent need of reform

THE PROGRESSIVELY obsolete style of dirigisme which the Spanish banks played a central part. Committed as it is to the liberalisation of the economy, the present Government has set about the task of bringing control on the banking system. A decree to admit foreign banks has already been passed; interest rates are being liberalised; the treatment of banks is being rationalised. However, precisely because of the banking system's deep involvement in Spain's economic crisis, such measures are likely to be distorted. The distortions they can only be corrected by a radical reform.

Worse still, the private sector, and smaller companies, ended up paying more for loans as the banks recouped their losses on the cheap finance provided on these so-called "privileged circuits"; the theoretically tight controls on Spanish interest rates in general proved unworkable outside these circuits. Even now that interest rates on loans and deposits for periods above a year have been liberalised, as they were last July, it is hard to know how far controls actually kept down interest rates. To compete for deposits, banks paid illegal "extrapagos." They passed on the cost by making creditors hold compensating balances, for example in a deposit account paying 0.5 per cent interest.

Whatever influence they had on interest rates, however, the effect of the controls was to produce a market which was very untransparent. Access to money, and the price you paid for it, depended on who you were, how much you were borrowing, and what your bargaining position was. A system which naturally tended to reinforce the credit system's general bias in favour of large enterprises.

Although interest rates on loans and deposits for periods over a year have been lifted, a very large proportion of Spanish bank business is done on periods shorter than this, where regulation and its associated distortions still prevail, and it is uncertain how soon the Government will move to further liberalisation.

The most difficult reduction, however, is that of control of investments. It is made particularly difficult by the fact that the current economic crisis is having its most drastic impact on sectors which have long benefited from cheap State-directed credit, such as shipbuilding, the steel industry and the capital goods sector. Thus the Government has settled for a very gradual reduction of controls.

For the commercial banks, the percentage of controlled credit is to be reduced from January 1 next by a quarter of a percentage point every two months, until it reaches 21 per cent. For the savings banks there has been an immediate reduction of 6 per cent, to be followed by a similar process of gradual reduction, which is scheduled to take the volume of controlled investment down to 35 per cent by 1983. At the same time interest rates on these credits have been raised, though by hardly more than to keep them in line with the general rapid rise in interest rates over the past few months.

A further measure of liberalisation which is expected fairly shortly is the admission to Spain of more foreign banks. This move, long opposed by Spanish banks, has become inevitable because of Spain's desired entry into the EEC, because of the expansion abroad of the very large loans both public and private sectors are now seeking in foreign markets. Spanish banks have come to accept it, although in many cases still very reluctantly. The anticipated capital requirement to open a branch is the same as that for Spanish banks—Ptas. 750m.—and it is expected that banks' peseta dealings will be limited, very likely to 20 per cent of deposits.

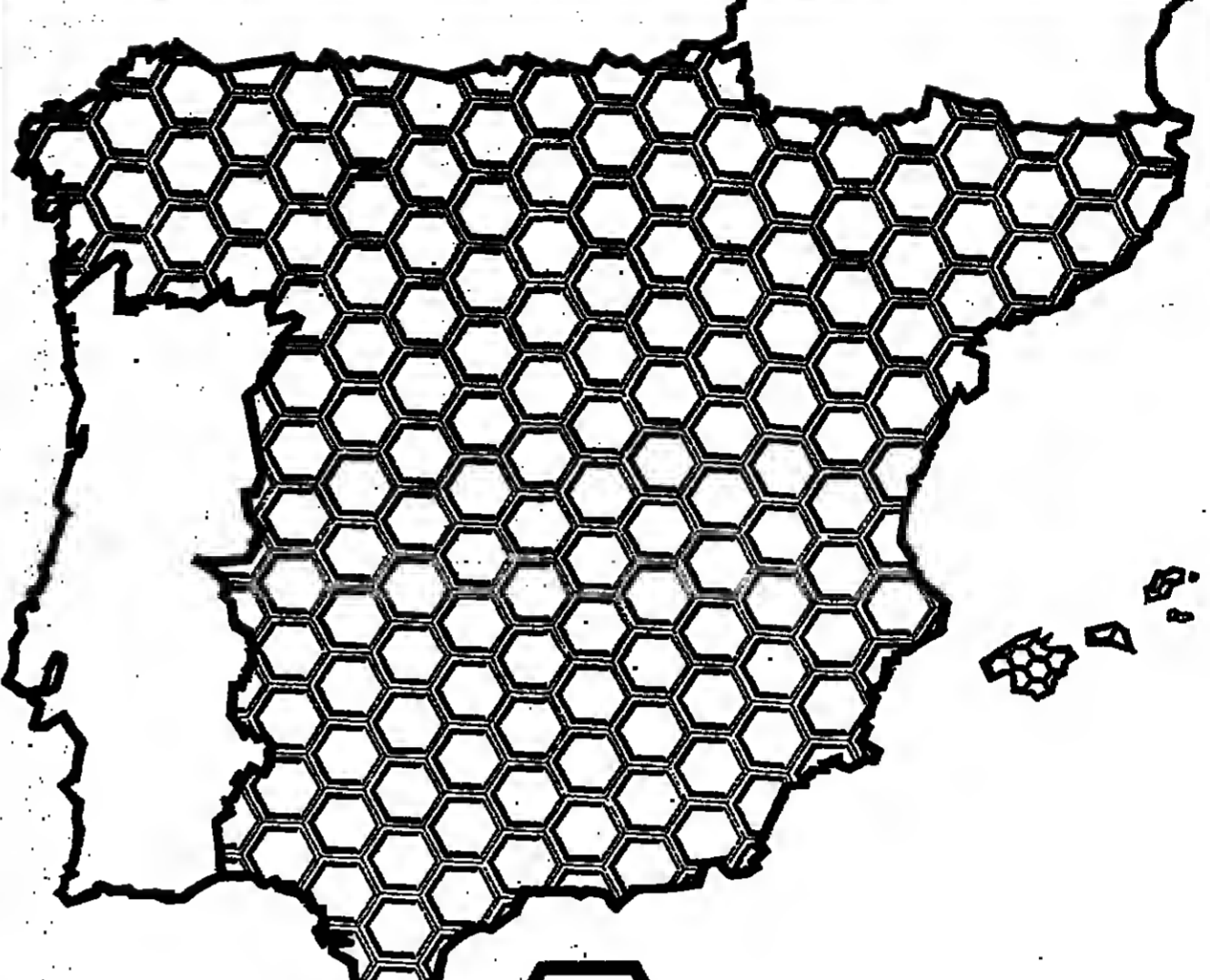

Salutary as the advent of foreign banks is, its effects are likely to be fairly limited. As their peseta activities will be limited, the competition they provide even in the peseta financing of multinationals and large companies will be quite restricted. Greater impact will perhaps be felt in the foreign currency financing of such companies where foreign banks are competing already. The competitiveness of foreign currency markets should be improved, as should that of Spain's inadequate interbank market, where foreign banks will have to look for pesetas.

Severer competition for the commercial banks is threatened by the permission granted to the *cajas de ahorro* in July to enter the discount markets, and also to go into foreign operations. The *cajas* have in fact maintained a steadily higher rate of growth than the banks over the past few years—in the three years 1974 to 1978 their deposits grew (in money terms) 76 per cent, against 68 per cent for the commercial banks.

Even in money terms the growth of the Spanish commercial and industrial banks has fallen over the past few years. In the year to October last, for instance, it was 18.8 per cent compared with 20.1 per cent in the corresponding 12 months, which, given increasing inflation, represents a passage from a real rise to a considerable real fall. However, the position of the seven big banks which dominate the Spanish banking system remains quite secure; despite the effect of the crisis on their very substantial industrial holdings—Spanish banks are estimated to own over 40 per cent of the

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Million US\$*			
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Equity	219.86	205.11	+ 7.2
Deposits	2617.11	2124.71	+ 23.2
Loans and Accounts	2586.09	2059.35	+ 25.6
Number of Employees	8,781	8,564	+ 2.6
Shareholders	103,797	97,859	+ 6.0
Branches	392	312	+ 25.6

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Trading

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the vast expansion in OPEC imports in the past few years. However, cautious optimism though there may be on expanding Spanish exports in a large number of markets, a large-scale transfer of resources into exporting is a different matter. Thus if Spanish growth prospects are not to be severely limited, a determined effort to reduce imports in certain sectors is a high priority. This is not a matter of imposing higher tariffs—there is a wide consensus that Spanish tariffs badly need to come down. But for example, despite the high proportion of Spain's labour force employed in agriculture, the country actually has a deficit on agricultural products. Part of this at least is due to structural problems, like a livestock sector heavily dependent on imported animal feed, which something could be done to remedy.

Most important of all, however, is the reduction of energy imports. The energy plan on which the Government has been working envisages a large expansion of nuclear energy—though the estimate of the number of nuclear power stations needed has been scaled down from earlier projections based on quite unrealistic anticipations of economic growth. This programme, however, will not affect the situation very much for some time. In the meantime, the Government plans a slow increase in oil prices to more realistic levels. This will have a beneficial effect on the payments balance—but the need to avoid excessive adjustment problems in Spain's highly depressed industry will still limit the speed at which it can be done.

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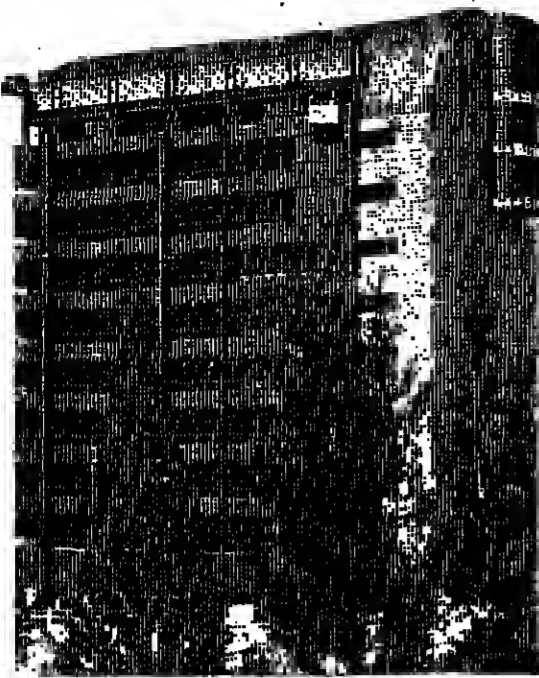


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SPAIN VI

Test for the unions

THE BEHAVIOUR OF organised labour in Spain will be of crucial importance in the coming months. The trades unions are still a largely unknown and untried quantity; but they have now become principal actors, alongside the employers, in the implementation of the social contract agreement signed by both the government and the opposition Communist and Socialist Parties in October. The strength, or weakness, of organised labour will determine the success of government policy in keeping wages within the 22 per cent ceiling for 1978, and at the same time will influence the development of 'consensus' politics among the major party leaders initiated by the 'Moncloa Pact'.

The trades unions were only legalised in April, just prior to the elections—although the more active had existed in secret often within the framework of the old Francoist 'sindicato vertical' which was only nominally concerned with labour and primarily used as a means of patronage and support for the regime. The sindicato has faded into the background, as indeed it had to; but a residual element lies in the Association of Social and Professional Services (AISP), little more than a glorified pension fund.

Having emerged so recently from secrecy, union membership is small and hard to gauge. Of the 13.2m. workforce, it is unlikely that more than 2.4m. or some 20 per cent, are unionised at the moment; and the figure could be as low as 1.6 per cent. Claims of numbers by individual unions are circumspect both because they have an interest in exaggerating their size and because workers are bedding their bets in some instances by holding two union cards. For example one study in a large manufacturing operation in the engineering industry concluded that between 25 per cent and 30 per cent of the unionised workforce held two cards. The study was management sponsored but it is nevertheless indicative.

By far the largest and best organised union is the Communist-controlled Confederation of Workers' Commissions (CCOO) which claims some 1.2m. members. The strength of CCOO was demonstrated last month by the results of preliminary elections of union representatives in some of Spain's largest companies, especially in the engineering sector. CCOO delegates obtained approximately 60 per cent of the votes in 169 companies employing 342,000 people. These results showed the nearest organised rivals holding only 13 per cent of the votes. This was held by the General Workers Union (UGT) followed by the only other union of size, the Syndical Workers Union (USO) with 6 per cent. These figures are based on figures supplied by CCOO. They have been contested, yet the general trend of support for CCOO seems clear.

In many respects the most important unanswered question about the unions is the extent to which they depend upon, and are controlled by, the political parties. CCOO likes to disclaim any direct control from the Communist Party, yet its leader Marcelino Camacho is on the party central committee and it behaves as though directed by the party.

Discipline

So far it has done nothing to go against the party. This has given it a discipline which none of the others possess and employers make no bones about saying CCOO is the easiest to deal with. UGT the second largest, is connected to the Socialist Party of St. Felipe Gonzalez; but there appears to be neither the structure nor the will to link the two. UGT values its independence and ironically at present it is acting more radically, despite a Socialist and non-Communist philosophy started off under Franco to look like the Italian Christian Democrat orientated CIST but it is now split, one group seeking a merger with UGT and the majority of the 400,000 odd members preferring independence with CCOO. The only other grouping of note, the anarchist CNT, holds probably no more than 3 per cent of total membership, but is an important element in shop floor radicalism. But while the main groupings may wish to appear independent, they are nevertheless

being used by the political parties to extend their influence. This had led to bitter rivalry between CCOO and UGT in particular, much in evidence throughout November during industrial action by Spain's 11,000 civil aviation workers. This rivalry, as the two main Left-wing parties vie for the working class vote, is liable to increase over the forthcoming union elections. What is significantly absent is a moderate Roman Catholic trades union representing the interests of the Right or Centre, like the CIST in Italy.

Because the political parties of the Left have sought to control the unions a certain distance has been created between the union leaderships and the rank and file, allowing the appearance of independent representatives. In the preliminary elections already referred to, independent candidates picked up over 14 per cent of the vote — the second largest slice. The civil aviation strikes in November were largely organised by these independents. There have also been a number of instances of strikes being initiated without the formal support of the UGT or CCOO leadership, yet in which UGT and CCOO members were involved. The loose hold of the leadership on the base is further demonstrated by the number of illegal strikes—over double that of the legal strikes. In September, there were 39 legal and 92 illegal strikes, for instance.

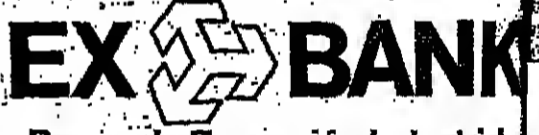
The unevolved nature of the unions, their financial weakness (UGT is borrowing \$3.5m. abroad) the overall lack of discipline combined with the rivalry over power (there is no mechanism yet for confederating the various unions) does not make for a cohesive movement. This cohesiveness is further threatened by the precarious employment situation. Officially, unemployment, almost 600,000 in September will rise to some 750,000 in 1978. Officially, it is almost certainly up to the 1m. mark and is perhaps even higher. So far the government, with no experience of dealing with organised labour, has tended to underestimate its strength, but it is worth mentioning that strikers have climbed down in a 19 days pub-

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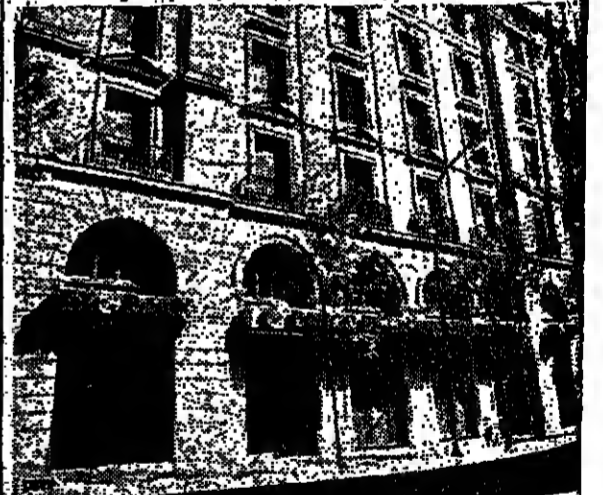
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Industry

FOR SPANISH industry, next year holds out small hope of recovery from the recession it has suffered for the past three years. Even on the Government's projections, widely regarded as optimistic, output will be practically stagnant and investment continue to fall. During the past weeks, an increasing number of major companies have begun to have problems paying not only their suppliers, but also their wage and social security bills. Next year could produce several serious bankruptcies, which in turn could have ripple effects throughout Spanish industry.

Ironically, those sectors in deepest trouble—shipbuilding, steel and capital goods—are among those which were the favoured children of Franco's dirigiste economy. But though their problems have been exacerbated by two legacies of the Franco era—very high gearing due to years of cheap and ample State-directed credit, and the difficulty of shedding labour—they fundamentally reflect the problems facing steel and shipbuilding everywhere, and the collapse of investment which has killed demand for capital goods.

Problems which might otherwise have been, relatively speaking, manageable have however been exacerbated by the virtual collapse of Government control over the economy,

Investment

The rapidity of this decrease has depressed investment, and is beginning to cause financial troubles for some companies. A more serious threat, however, is the 17 per cent credit guideline which the Government set when, in conjunction with the opposition parties, it finally decided on measures to stabilise the economy last October. Stage I of the Sagunto mill has been completed, and investment on the subsequent stages held up. There seems a considerable likelihood that in this case the Government will waive the new self-denying ordinance and move in and take over, to ensure the continuation of the Sagunto project.

Even if INI maintains its self-denying ordinance about take-overs in other fields, the State may well find it difficult to avoid more direct intervention than it would like. Babcock and Wilcox funds means the Government on a long line of companies: in small companies, without access to the Euromarkets, will suffer.

Meanwhile, in accordance with the determination of the technocrats now running the Spanish economy to make it submit to the disciplines of a free market, the industry where plants are in politically sensitive areas like the Basque going to pick up lame ducks, as industry Ministry has no clear general idea does not want to bale out Babcock and Wilcox. Recent Government may be pushed into taking not only an active role in restructuring, but also largest capital goods producer, and, it is not unlikely, seeing its credit guideline go by the board.

The very pressure of wages on profits which has caused such controls 82 per cent, of severe problems for investment capacity. Over capacity is estimated at 40 per cent, with no project of substantial improvement in sight. Plans are being

worked on in the industry Ministry and the INI to diversify production, particularly towards liquefied gas carriers and container ships, and to try to shift some of the workforce into other activities using similar skills. One of the key problems, however, remains the difficulty of reducing over-manning. The INI is optimistically hoping to cut the labour force by 10-15 per cent by the end of next year—but in any case the actual level of over-manning is some 30 per cent.

In contrast to shipbuilding, the essential problems of the steel and capital goods sectors are cyclical rather than structural. The two largest steel producers, the INI-controlled Esidasa and Altos Hornos de Vizcaya, are both in trouble, and the latter's subsidiary, Altos Hornos del Mediterraneo, which has been constructing the vast integrated steel complex at Sagunto, has been having trouble paying its wage bills. The Government has already set a 22 per cent target for wages for next year. But with inflation this year at 28 per cent, during the first part of next year at least the expansion of credit, should the guideline be maintained, will be running a long way behind wage growth.

A substantial number of Spanish companies have already had recourse to the Euro-markets, and more are expected to do so next year. Unfortunately the resulting inflow of funds means the Government needs to further tighten credits.

In some sectors, however, the state cannot keep out, because the INI is a major presence. In shipbuilding, for instance, it controls 82 per cent, of capacity. Over capacity is estimated at 40 per cent, with no project of substantial improvement in sight. Plans are being

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SPAIN VII

Farmers in disarray

SPANISH agriculture is the 1976 figures. Production of sick man of the country's ailing lemons increased by 28 per cent and as such has been cent to 298,000 tons; tomatoes in a state of perpetual crisis only rose a fraction and vital new fur some years. Farmers cereals for home consumption are among the most disgruntled like corn, by only 12 per cent. members of the labour force. To 1,736,000 tons—a third of and they have been hit harder Spain's needs. Fresh fruits in than ever this year by rapid April and June destroyed inflation; they find it more difficult to obtain credit. Partly because of the unusually cold weather in the but mainly due to Spain's spring ruined the harvest in endemic problem that it does general and imports continue to not produce enough for its own rise far more swiftly than ex- needs the trade deficit in agri- ports. For Spanish farmers, cultural products stood at 1977 has been the year of a Ptas99.9bn. at the end of Sep- series of price "wars" and tembar: an increase of 68 per cent there are many more on the cent on the same period in 1976. While exports increased this year by 28 per cent, im- Total agricultural production ports shot up by 40 per cent. In 1976 rose by 17 per cent. To corn and meat continue to be Ptas.1,025bn. but taking into the main imports. Last year account rapid inflation since Ptas.30bn. worth of corn was 1970 this figure in real terms imported—13 per cent of the was Ptas.563bn.; an increase of value of the imported oil. just under one per cent. on This agricultural deficit rep- 1975. (Since 1964 the average increase has been 3 per cent.) This year is likely to see no improvement, given the poor harvest.

According to provisional har- vest figures production of many traditional fruits like apples Spain has moved away from and table grapes was down 28 being a predominantly agricul- and 27 per cent, respectively on tural country.

Exports, 60 per cent of which go to the EEC, totalled Ptas.137.26bn. in 1976—23 per cent. of the total amount of exports—compared to 55 per cent. 15 years ago. While industrial growth has gone up in leaps and bounds over the years, agriculture has become stagnant and con- sequently the enormous gap, more than in any other Western European country apart from neighbouring Portugal and perhaps Greece, between rural and urban areas, has widened. This problem was highlighted last March when 30,000 tractors took to the roads to protest at the standard of living in the countryside, the right to form trade unions and better prices for products.

So great has been the migra- tion from villages to towns — over 2m. people have left for work abroad or in towns since 1960 when 41 per cent of the active population worked on the land — that it is now estimated that the average age of those left is 50 and as a result Spain in ten years time will face a severe labour shortage in the fields.

Unemployment among farm labourers in areas like Andalu-

cia is now half the national total whereas in the richer agri- cultural regions like the Levante (citrus fruits) there is generally a shortage of labour in the fields because of stiff competition from industry around Valencia.

The National Institute of Statistics reported in May that 31 per cent of rural labourers compared to 5 per cent else- where do not have running water and the average daily wage for a farm labourer in 1976 was Ptas.438.

The legal minimum is now Ptas.390. The government is caught between keeping food prices down and trying to satisfy farmers' demands for an adequate level of profitability. "We have our hands tied," said an Agriculture Ministry official.

But without the availability of long term credit which banks have always been loath to give it is hard to envisage how agricultural production can be increased profitably. Credit from private and official banks totalled Ptas.48.6m. in 1976, a 30 per cent. increase on 1975, but most of it in short term loans. State subsidies totalled Ptas.12m., a drop of 11 per cent. on 1976. Large landowners on the latifundia in Andalusia, who in the main benefit from credit and subsidies, often find it more profitable to put their money into industry than to plough back any profits into their estates.

Coupled with the need for investment is the need to con- tinue consolidating small hold- ings many of which, worked by single families, supply little more than the producers' own needs.

The fishing sector is even worse off, damaged by the EEC's 200 mile limits and the Polisario fighting for indepen- dence in the former Spanish colony of the Sahara now under

Morocco and Mauritania. The Canary Islands' fishing fleet has been severely affected by no longer being able to use its traditional ground off the west- ern Sahara without the risk of Polisario attack.

The effects of full member- ship of the EEC on Spain's agriculture should provide a much needed boost, for there is no doubt that the future for exports lies in the EEC. The 60 per cent of produce exported to the EEC now could increase quite considerably. Spanish officials feel that the EEC un- fairly discriminates against Spain under its present com- mercial relationship in favour of countries like Israel. In the matter of citrus fruits, Spain estimates that if it had the same tariff as Israel 85m. could have been saved in the citrus industry last year and 82m. with full membership.

Officials are aware that nego- tiations over agriculture, given the French and Italian oppo- sition, will be tough, for Spain could flood the market once the protectionist measures adopted by member countries against non-members are dropped.

The Government's economic pact with the opposition offers little which will radically change the situation, other than promising more democratic rights. The parties' apparent lack of concern over agricul- tural problems is reflected in the scanty membership among agricultural labourers of either the socialist or communist trade unions. Farmers set a preced- ent in November by staging a sit-in outside the Prime Minister's official residence against the pact. It was a per- tinent reminder that agricul- ture will remain a thorn in the side of any future Government.

Charles Dawson

Industry CONTINUED FROM PREVIOUS PAGE

are largely in consumer goods sectors. Production of some household electrical products, for instance, has held up well, as has production in food indus- tries, and of certain luxury products. However, even if consumer demand holds up well next year, the credit squeeze is likely to have unfortunate effects on any consumer goods sectors where hire purchase is important.

One key element in the general rethinking now under way in Spanish industrial policy is, of course, the future of the INI. Originally devised in 1941, largely to promote the develop- ment of basic industry, it now has direct investment in con- cerns accounting for over 10 per cent of Spanish gross industrial product, and controls fixed assets of over Ptas.900,000.

Opinions on its performance vary a great deal. Some see it as representing the dead hand of the State, pointing, for example, to the fact that of the 33 companies in Spain which problems are liable to set a last year lost over Ptas.100m., 15 belonged to the INI. Others feel that the INI's management with this problem is Spain's failure to provide much of its own technology; and the paucity as a whole, and that the size of research and development in of its losses is to a substantial Spanish industry.

In addition to the debate over the future direction of the INI, another dispute is currently in progress over its control. Officially, it comes under the Industry Ministry, which of the information needed for this kind of debate to be coo- controlled, and is trying to make ducted at a more than anecdotal level. This situation is improv- ing— which should greatly facili- tate the public debate about private enterprise, and wants to the future of the INI likely in be directly under the Economy Ministry. It is sensitive how- ever, to complaints that it is not subject to democratic course continue to be active in control— at the moment it is the kind of basic industrial looking at Austrian-style

schemes for having representa- tives, of the various parties on the board, so as to keep that control manageable close. Meanwhile, however, the ambiguity about the position of the INI vis a vis the Industry Ministry hardly helps when it has to plan the future of those sectors of Spanish industry now in crisis.

Meanwhile, the Government is hoping to resolve part of the problem through one year of fairly stiff restraint. Even if it manages to maintain the guidel- ines for credit expansion and wages, it is widely thought that hopes for a strong revival of growth and in particular of investment in 1979 are over- optimistic. Prospects of holding to the wage guideline are par- ticularly hard to estimate in the Spanish case, given the lack of precedents for this kind of situation. However, even if the target for wage increases of 22 per cent is held, the actual in- crease in wage costs may well drift beyond this—as has hap- pened in the past in Britain.

It is also likely that the poli- tical consequences of holding to the 17 per cent guideline will prove unacceptable, particularly in view of the need to maintain some kind of consensus between the parties over economic policy, and that looser credit will fuel faster inflation in 1979 and 1980. This is not to say that the Government's efforts to stabilise the Spanish economy will collapse—merely that it may have to produce further stabilisation measures, and that it will be a good deal longer than the Government is now publicly envisaging before Spanish industry is able to return to the pattern of steady growth it maintained in the 1960s.

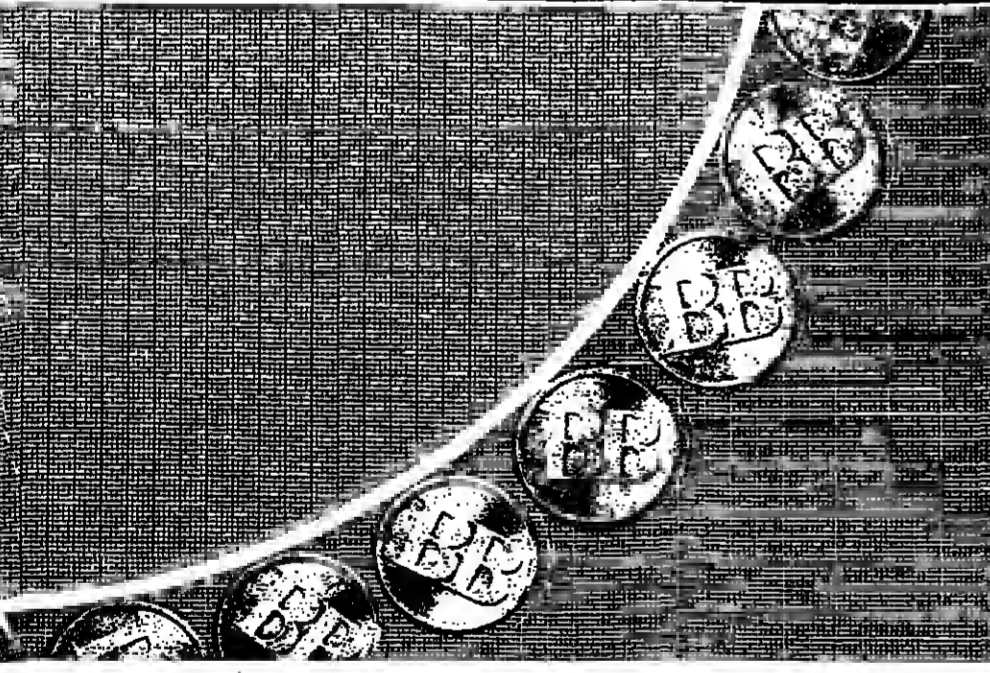
D.H.

Problems

Two further very basic and long-term problems of Spanish industry in whose solution the INI sees itself as having a role to play are the development of exports, and the development of technology. Spanish exports now constitute only 8 per cent of GNP—not much more than a third of the figure for developed European countries. Unless this percentage is increased, Spain's balance of payments problems are liable to set a limit to the growth potential of the Spanish economy. Linked with this problem is Spain's failure to provide much of its own technology; and the paucity as a whole, and that the size of research and development in of its losses is to a substantial Spanish industry.

In addition to the debate over the future direction of the INI, another dispute is currently in progress over its control. Officially, it comes under the Industry Ministry, which of the information needed for this kind of debate to be coo- controlled, and is trying to make ducted at a more than anecdotal level. This situation is improv- ing— which should greatly facili- tate the public debate about private enterprise, and wants to the future of the INI likely in be directly under the Economy Ministry. It is sensitive how- ever, to complaints that it is not subject to democratic course continue to be active in control— at the moment it is the kind of basic industrial looking at Austrian-style

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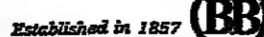


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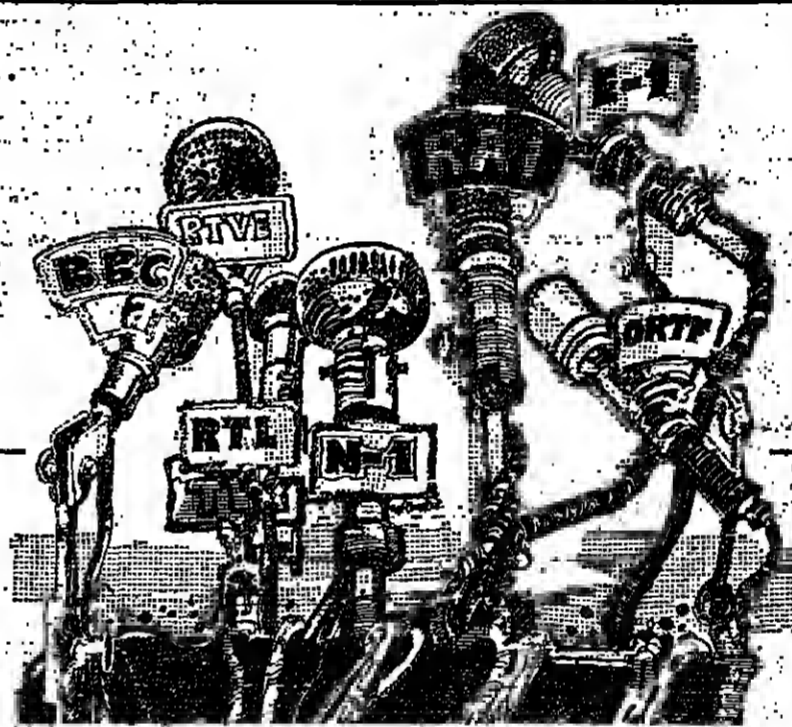
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LOOKING BACK through the files to the Barcelona Motor Show last spring, the hulloish optimism of the manufacturers seems a little misplaced. The effects of the economic crisis had not really been felt and Spain still seemed the only country in Europe with a dynamic growth potential in car ownership. The manufacturers rubbed their hands over one statistic in particular. Car ownership per capita in Spain was only 150 per 1,000 half that of countries in the European Community; but despite this lag the Spanish public was displaying the continued kind of consumer demand enjoyed by Italy in the early 1960s.

Since the spring, however, recession has begun to develop, industrial production as a whole has been on the decline and credit has become very tight—especially since the summer. Although the saloon car sector has held up well so far, none of the manufacturers believe that the industry can avoid a bumpy and uncertain period in coming months.

Production and sales of industrial vehicles, particularly at the heavier end of the market, is already depressed. The change in the economic climate has therefore forced the industry to revise downwards, in some instances sharply, production and sales projections for the coming year.

The strength of demand for saloon cars has in many respects defied the logic of economic circumstances. In the first nine months of the year car sales were well above 1976 growth of 8 per cent. Demand since October has begun to slacken, particularly in the case of the local SEAT models. Even so, if the October sales of the five manufacturers were projected on a yearly basis annual sales would be some 4 per cent above the 588,000 figure for 1976. As it is total sales will be about 640,000.

Agreement

However, there is general agreement that since October a combination of increased motor-vehicle costs coupled with the difficulty of obtaining hire purchase credit has had a significant impact. It is general practice for the manufacturers to have finance subsidiaries that act as hire purchase companies to back and promote sales. These account for as much as 60 per cent of all purchases. With a squeeze on the banks and short-term credit costing a minimum of 19 per cent to 20 per cent, these financial subsidiaries are finding that prospective purchasers cannot afford payment terms. With no short-term prospect of an easing of the credit squeeze projections for 1978 sales have been scaled down. For instance SEAT estimates a zero growth or near zero growth while Ford reckons that the original 10 per cent growth forecast will probably be halved.

The credit squeeze has also been felt further down the line. Some suppliers have been badly hit already, especially the smaller ones. Chrysler, for instance, has decided in cases of special hardship that it has no option but to assist. This is being done by reducing the supplier credit period from 90 days to 45 days or even shorter. Other companies are reportedly doing the same, to a greater or lesser degree. The case of the suppliers could pose an interesting test for the industry as a whole. Frequently one supplier deals with more than one manufacturer. At the moment the attitude of those with more cash on hand is "why should we help to keep our competitors in business?" Nevertheless it is recognised that it is in no one's long-term interest for suppliers to collapse and some concerted action by the manufacturers as a whole may be taken if the situation deteriorates.

Within this overall picture are nevertheless important differences between the manufacturers. SEAT—the largest producer of saloon cars—is in a special position. SEAT is the most truly Spanish company in this sector which is dominated and controlled by multinational interests. Nevertheless SEAT is 36 per cent owned by Fiat of Turin (the remainder by Spanish banks and a 34 per cent INI stake). This year SEAT expects a 16 per cent drop in sales to about 247,000 units. Already it has accumulated stocks of 62,000 vehicles against a normal maximum stock of 45,000—equivalent to 30 days normal average sales. No other manufacturer is in such a position.

Indeed SEAT sales have been seriously hit, not merely by increased competition from the other four — Fasa — Renault (Renault's Spanish subsidiary of which it owns 65 per cent), Citroen (45 per cent owned by the parent Citroen), Chrysler (98 per cent Chrysler Corporation) and Ford (99 per cent Ford).

Seven years ago SEAT enjoyed over 60 per cent of the local market. But this share has been gradually eroded so that by the time Ford began marketing its Fiesta last year it had dropped to below 50 per cent. This year as a result of the success of the Fiesta, a sustained drive by Renault, nibbling away of markets by Chrysler and Citroen plus a general customer preference away from SEAT's solid range of now well known models, this market share has declined even further and very sharply. In October for the first time Renault captured the major slice of the market (30.9 per cent against SEAT's 28.4 per cent). The trend has continued and even accentuated in the first half of November.

Thus in an increasingly competitive market SEAT is proving unable to sustain its position. The problem here is in the end not so much the state of the Spanish economy but the nature of the car industry in Spain itself. SEAT's original conception was to be a manufacturer using Fiat technology to service and dominate the highly protected local market. Because of economies of scale SEAT has also, with the agreement of Fiat, turned to exports and integrated certain parts of production with Turin. SEAT now exports roughly 20 per cent of production either as ckd units to Ireland, Portugal and Egypt or made up to the European market. This said SEAT is dependent upon a good working relationship with Fiat, has no proper dealer network outside Spain and has no real flexibility on the local production/export mix.

If one adds to this the fact that it is selling models which generally lack the innovative elements of say the Ford Fiesta, the Chrysler 130 or the Citroen GS and can only introduce new ones when Fiat itself decides on something new it is vulnerable in the present situation. Moreover, depending on how long the Spanish recession continues and how quickly Spain negotiates entry to the European Community, the company is potentially more vulnerable in the longer term given the high degree of protection in the industry. The only answer is closer integration with Fiat—a principle accepted by SEAT, though Fiat's thinking on this issue is not so clear cut.

All the other manufacturers have the advantage of integrated international networks into which they can fit Spain. The most integrated in this sense is the Ford operation near Valencia which produces the Fiesta in cooperation with the rest of its European production plants. Ford agreed to set up its Valencia plant on the basis of what has become known as the "Ford law" although this applies to other potential manufacturers. Ford undertook to export two thirds of production; commit itself to import parts worth no more than 50 per cent of the value of exports and to limit domestic sales to no more than ten per cent of the previous year's

Here again a purely Spanish company like Enasa is penalised because it has no proper national outlets—although recently it was awarded contracts for two industrial plants in Venezuela. However, one sense the fate of SEAT in the saloon car sector provides the most accurate indicator of the health of the Spanish economy, for the car can dress their shirts with internationally imported operations which apply economies of scale.

Looking ahead, then, coming year could witness something of a shake-up in the industry. Profits will be squeezed because the manufacturers cannot pass the inflation off onto weak demand and a competitive market. SEAT is committed to gaining its market place and planning on investing some \$78m in its plants in Pamplona, Madrid and Martorell. Meanwhile, Renault is enlarging its capital to accommodate some \$70m worth of investment in a third plant, demonstrating its confidence in the Spanish market potential. However, this potential is being increasingly competed for and SEAT can ill afford to bear the brunt of the demand.

Purpose

The same applies to the other manufacturers although their export content is more limited; their main purpose in being in Spain is for the Spanish market. None of the manufacturers of saloon cars, however, can escape the problem of higher production costs, particularly pressure from wage demands. Both Chrysler and Ford, for instance, maintain that Spanish labour costs are now higher than the U.K. Moreover none can predict the impact on production resulting from wage negotiations for new labour contracts. These began this month. In the shadow of the Government's 22 per cent wage ceiling both sides anticipate hard bargaining which could last for months, with the real threat of prolonged industrial action.

The industrial vehicle sector has been much quicker to feel the squeeze. Several potential orders have been cancelled and the main producer, Enasa (56 per cent owned by INI) last month threatened its workforce with layoffs and short time due to a sharp fall off in sales. This sales decline has in turn aggravated its cash flow position forcing it to shop around the international banks for funds after the local banks had given it the cold shoulder. In the 12 ton range and above recession has been most noticeable. By September overall orders were 50 per cent below January levels.

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Unilever's new stride into the U.S.

By RICHARD LAMBERT and STEWART FLEMING



Sir David Orr (left), chairman of Unilever, with Bob Stenham, the group's finance director — they celebrated with champagne.

12 A.M. YESTERDAY, profits figures have indicated Unilever finally received the green light for ten days of hard negotiations, 18 months of intensive searching, and years of wishful thinking. News came from the U.S. that the Board of a National Starch and Chemical Corporation had approved Unilever's acquisition terms, worth \$485m, and the giant Anglo-Dutch multi-national was now long last on the point of making a significant new stride into the North American market. Unilever has had a significant interest in the U.S. since the beginning of this century, when Lever Brothers' parent company, which was founded in 1890, bought into a very successful tea business, Unilever has never been able to take off in the U.S. Lever, in particular, has had a dreary financial image in the U.S. market. An illustration of this is that in recent years, but in the last three (including Colgate), the detergent market, an area where launch of a successful new product cost \$20m. or more.

Lopsided
The result is that Unilever's financial portfolio of business is distinctly lopsided. Its most powerful economy in the world accounts for under a third of its overall sales. Two-thirds of its capital is tied up in European Community countries, whereas the total for the U.S. is only 10 per cent. Unilever's major success in the U.S. is its traditional detergent business, which is not growing. The group's recent

profits figures have indicated that Continental Europe has been finding it especially difficult to make progress. Meanwhile the growth has been coming from higher risk territories, in particular Africa, Nigeria and Nigeria. Operating profits in Nigeria have rocketed ahead in recent years to over \$70m—and the Nigerian Government has now taken majority control by increasing its holding from 40 to 60 per cent.

So Unilever's gaze has been increasingly directed at the U.S. and from the early stages it has been clear that major new investment would take the form of an acquisition rather than a greenfield-type project. To break into a new market on a scale that would be relevant to a group of Unilever's size would, said chairman Sir David Orr yesterday, be a "helluva big risk." (The same thinking lay behind BOC International's investment in Alroco.)

announced this year alone, foreign direct investment in the U.S. since 1973, overseas investments there account for under 3 per cent of gross private non-residential investment. While growth in direct investment in the U.S. which has been apparent since 1973, and which has accelerated in the past two years. In the last two months alone, in addition to the Unilever proposal, Bayer of West Germany with a \$275m. offer for Miles Laboratories and Nestle with a \$277m. bid for another pharmaceutical business, Alcon Laboratories, have also joined the flood of European corporations reinforcing their U.S. operations. Last week Hitachi, the Japanese electrical giant, bought itself a half share in the U.S. television interests of the world's largest electrical group, General Electric, for an undisclosed sum.

The pace of British investment in the U.S. through acquisitions has been the outstanding feature of the European expansion. In the 1974-76 period, according to commerce department figures, U.K. corporations spent \$1.2bn. on U.S. acquisitions — just over one quarter of the total spent by foreign corporations in that period. In 1977 alone U.K. companies have matched their spending over the previous three-year period.

On the surface, at least, the U.S. appears to be unperturbed by the trend, and there have been no anxious warnings in Congress about the dangers of foreign takeovers such as those which were issued in 1974 when the U.S. awoke to the potential impact of Arab oil revenues on their economy.

Moreover it remains true that in spite of the build-up in

whether this calm acceptance of the foreign invasion will continue is a question which must be exercising the minds of those corporations who are now actively considering attempting new U.S. expansions. The current wave of U.S. acquisitions by U.S. corporations, which promises to make 1977 close to a record year for mergers is already causing some soul-searching in the U.S. Anti-Trust agencies.

Reaction

If Anti-Trust policy became progressively more successful, then foreign corporations could expect to be affected. Alternatively if Arab or Japanese corporations began to make major acquisitions this also might stir up some opposition. Protectionist sentiment against imports could begin to spill over, perhaps irrationally, into opposition to direct foreign investment. On the other hand it is difficult to imagine the Carter administration, with its free trade commitment and facing a steady attrition in the world value of the dollar, encouraging such feeling.

Letters to the Editor

the real price of Waterneys
I am getting somewhat of a reading in the financial press that Sir Charles Clore had bought Waterneys for £30m. when 13 years ago he reported to have paid £10m. for the same company. This is a very interesting point and I feel to be in the first place Sir Charles's bid did not include the second largest wine spirit business in the U.K., Dryborough Brewery in Scotland. Wilsons Brewery in Hull. Wilsons Breweries in Wiltshire and breweries in Norwich plus other Belgian holdings. In 1959 Waterneys was an entity different animal making a profit of £2.5m.—a small fraction of today's profits.

Young talent

Although the National Starch senior management is elderly, Sir David claims that there is plenty of young talent waiting to come through. This is crucial, as Unilever is not exactly long on management in North America. Its final quality was availability. Founder shareholders, when approached, were prepared to talk.

And the one after that

Sir—An interesting why it is so vital to consider the bulldozer of a second Severn Bridge. This seems to be an enormously expensive way of curing a bottleneck caused by a row of toll booths. Would it not be simpler to continue the present system for the next two years or so (most valuable) and then knock down the toll booths? If a second bridge is built by 1990 (at a cost of £150m. and even higher running losses?), presumably this will be subject to the same kind of

To-day's Events

- GENERAL: Index of industrial production (November, provisional).
- President Giscard d'Estaing of France ends two-day visit to Britain.
- Mr. Cyrus Vance, U.S. Secretary of State, continues Middle East tour.
- Electoral reform supporters from the three main political parties meet at Carlton Hotel, S.W.1, for mass lobby of M.P.s to urge them to vote in European Assembly Elections Bill for proportional representation regional list system.
- European Central Bankers end two-day meeting, Basle.
- EEC Agricultural Ministers and two-day meeting, Brussels.
- EEC Health Ministers meet, Brussels.
- Marketing (Improvement Grants) Regulations 1977, Local Government (Scotland) Bill, report stage. Medical Bill, committee. Debate on restrictions on communication between prisoners and general public.
- Select Committees: Trade and Industry sub-committee, Subject: The Fishing Industry. Witnesses: White Fish Authority, Fish Farmers' Association, N.W. 12. Supra Committee of NFU, Lowestoft Laboratory, and DAFS Marine Laboratory (10.15 a.m., Room 16).
- EEC document on equal treatment in social security. House of Lords: Finance Bill, Subject: CPRS ("Think Tank") Briefing. Motions to approve Sheep Code Order and Agricultural Products Processing and of British Chambers of Commerce, Rolls-Royce, Bryant Symons and Co. and Sir Roger Park (4 p.m., Room 5).
- COMPANY RESULTS: ICL (full year), LRC International (half-year), Serck (full year), Smith and Nephew Associated Companies (third quarter figures).
- COMPANY MEETINGS: Cedar Investment Trust, Winchester House, E.C. 12. Safeguard Industrial Investments, 87, Eaton Place, S.W. 1. Smith's Industries, 12, Supra Investments, Kent, 12.50.
- Free lunch-time Prom. BBC Concert Orchestra, conductor: Ashley Lawrence, soloist Barry Tuckerell (horn), perform works by Vaughan Williams, Strauss, Wires, Zador, and Sibyllus Guildhall, E.C.2, 12.15 to 2.15 p.m.

Co-operatives in Scotland

From Mr. J. Lewis.
Sir—John Elliott's article on Mondragon (December 2) was very relevant to the present producer co-operative movement in Scotland. The Scottish Co-operative Development Committee has recently appointed a full-time officer with responsibilities for providing advice and management skills to potential and existing co-operatives. Several committee members also offer assistance in specific areas of marketing, accounting, and organisation, creating a service similar to that provided by the Mondragon Bank. Our limited experience to date indicates that a financial package can be put together if the business proposition is viable, though this is a tortuous and time-consuming exercise.

Muddled but honest

From Mr. W. H. L. Gordon.
Sir—Mr. J. H. Pogorin's letter (9) need not worry me, despite many changes in recent years, we British are seen abroad as a funny lot. In any other industry, the Crown Agents have precipitated loss of business and custom among our clients.

Historic cost principles

Mr. Jeremy English.
I feel that your correspondent Mr. King (December 9) is being badly misled on the issue when he talks about "negotiating the historic cost principle".

New bridge for the Severn

From Mr. Roger S. Lansdown.
Sir—I refer to Anthony Moreton's article "Why a second Severn Bridge is vital" (December 8). I am particularly interested in the use of traffic statistics in this article to show the need for a second bridge. In footnote 1 pointing out that 1966 figures are from the September opening only and are thus for less than four months, a traffic growth of 578 per cent. is shown by using these 1966 figures as a base. A further footnote points to the large increase in traffic in 1972 after the M4 had been completed on the English side.

European elections

From Mr. Richard Francis.
Sir—Before the vote takes place on the regional list as proposed in the Direct Elections Bill, those Conservative M.P.s who are adamant in their opposition should reflect on one fact. By voting against the Bill they will have betrayed the European cause, which their party has done so much to foster and encourage.

Transport cost of exports

From Brig. D. N. Locke.
Director General, Chartered Institute of Transport.
Sir—The National Economic Development Office report "Trading with Europe: through transport and the total export



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Tool strike jeopardises Lucas investment plans

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BECAUSE of the toolworkers strike Lucas Industries may not be able to achieve its £137m investment target this year.

The group was now recovering from the dispute which had closed most of the electrical component factories in the Birmingham area for 10 weeks. However, the chairman said that the impact upon cash flow had made it necessary to look again at the phasing of investment. Any changes would merely mean delay rather than the abandonment of plans, he assured.

The chairman said it was impossible at this stage to quantify the effect upon total investment for the year or to specify which projects might be affected. However, the company would try not to rush spending on any projects central to its expansion plans. Savings would be sought by delaying the replacement of plant.

Mr. Scott said that all the group's companies including Aerospace—were well placed in their markets to grow and prosper. The time was right for a major endeavour to expand sales in the U.S., which were currently running at only around one-fifth of those in Europe.

"The opportunities clearly abound and we are already working on potential contracts," Mr. Scott said. He would not elaborate upon negotiations in the U.S., but they are thought to embrace a broad spread of Lucas products rather than just diesel fuel injection equipment.

NMC foresees big increase

REPORTING first half 1977-78 profits sharply higher the directors of NMC Investments forecast that group results for the full year will show a marked improvement over those for 1976-77.

J. Crean expands to £1.13m

INCLUDING a full 12 months contribution from Esham Welding Supplies, acquired in Bids this year, J. Crean has reported a surplus of £1,130,000 for the year to June 30, 1977, ahead from £844,000 to a record £1,125,000 on sales up 23.5m, at £17.54m.

Table with 2 columns: Group sales, Profit before tax, etc. Values range from 17,557 to 1,125,000.

A tax charge of £74,000 (£15,000) reflects stock appreciation relief of £494,000. This figure includes an extension of the relief for the Irish subsidiaries amounting to £123,000.

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on December 12, 1977. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Table with 3 columns: Place and Local Unit, Value of £ Sterling, etc. Lists various international currencies and their exchange rates.

Caffyns improved first half

IN THE half year ended September 30, 1977, motor agents and engineers Caffyns has improved its profit from £431,229 to £170,513, on turnover £22.1m, ahead of £18.5m.

The profit was struck after usual charges and a £194,984 (£106,615) contribution to staff pensions. Tax requires £949,800 (£227,000) to leave the net profit at £229,775 (£203,929).

The interim dividend is raised from 1.7p to 2p net per 30p share to reduce disparity. Total for 1976-77 was 3.75p where profits reached £903,000.

Deanson slips to £132,906

FOLLOWING the pattern of the first half, pre-tax profits of Deanson (Holdings) continued to decline in the second half of the year to September 30, 1977 and finished £132,906 behind at £132,906. At half-way the fall was from £33,437 to £54,785.

Turnover for the year amounted to £23.1m (£23.5m), and tax took £67,455 (£69,213). Earnings per 10p share of this printing and stationery concern are stated at 2.29p (4.18p) and the dividend, which has been raised by three directors, is raised from 1.89p to 2.095p net.

1928 TRUST

The Nineteen Twenty-Eight Investment Trust announces that the latest date for repayment of \$US\$500,000 of existing foreign currency borrowings has been extended from December 6, 1977, to December 31, 1981.

Table with 3 columns: Place and Local Unit, Value of £ Sterling, etc. Lists various international currencies and their exchange rates.

Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the table below are set in all cases closing rates on the dates shown.

MAURICE JAMES AND BENSON'S HOSIERY

With reference to details given on December 8 of proposals made in connection with Maurice James Industries and Benson's Hosiery, Mr. James stated that the Marwick Mitchell and Co. act as accountants to Benson's Hosiery. Additionally, Peat Marwick

H & C steps in and Malayanam accepts

HARRISON and Crosfield, has entered the lists for control of tea and rubber company, Malayanam Plantations.

BIDS AND DEALS

Coal Board wins BIT battle

The £100m offer for British Investment Trust by the National Coal Board Pension Funds went unconditional last night, just before the closing date. The offer is for 20% of the company.

LADBROKE TO MANAGE PERSIAN GULF CASINOS

LADBROKE Group has obtained a contract to manage two casinos in the Persian Gulf on a profit-sharing basis.

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S & P accepts higher American offer

Save and Prosper, the U.K.'s largest unit trust group, has agreed to buy the insurance company of North America, a subsidiary of the INA Corporation.

HOUSE OF FRASER

Sir Hugh Fraser's remaining shareholding in House of Fraser has been transferred to the family's charitable foundation.

HANSON INDS.

Hanson Industries Inc. reports that 247m shares or 84.7 per cent of Interstate United Corp. common were tendered to it.

First Investment Inc. has been set up to take over the U.S. Internal Revenue Service decided to reverse a ruling, which had required that a company, in transferring the company from writing any further new business in investment annuities—deferred annuities where the policyholder managed his own investments.

Offers for SINGLO LAPPED Capax Investments offer for Single Holdings has been accepted. Acceptances of the offer had been received for 12,280 Ordinary shares (0.2 per cent).

MINING NEWS

Canada's copper mines facing a decline

BY KENNETH MARSTON, MINING EDITOR

A DECLINE in Canada's copper production as a result of the depressed market for the metal has been forecast by the Canadian Energy Mines and Resources Minister, Mr. Alastair Gillespie.

Recent information supplied to the Department of Energy, Mines and Resources, indicated that Canadian copper mine output is likely to be 8 per cent down next year.

At last week's meeting in Chile of ministers of the world copper producing countries Canada stated that "the longer run stability of copper is also threatened. In particular, there may be insufficient investment in new replacement capacity to satisfy world demand in the 1980s."

In addition to the immediate negative effects upon the economy of copper producers and upon employment, the longer run stability of copper is also threatened. In particular, there may be insufficient investment in new replacement capacity to satisfy world demand in the 1980s.

Finally a little much-needed encouragement for British Columbia's hard-pressed mining industry comes with recent comments of the province's Mines Minister, Mr. James Chabot. "We, as a Government, believe that the mining industry has been over-invested in British Columbia."

Mr. Chabot is to meet his federal counterpart later this month to discuss a new taxation formula. "It's a matter of a downward negotiation of the tax rate on the part of the province and the national Government to determine what is a fair level of tax."

Belts tighten at Hamersley

The Rio Tinto-Zinc group's Western Australian iron ore producer, Hamersley, is embarking on a programme of temporary retrenchment to meet the needs of the steel industry. Sales next year are expected to be slightly less than this year.

A company announcement stated that it would not be possible to continue stockpiling during 1978 and that production would be matched to shipments. But no redundancies are planned and staff reductions will come through natural wastage.

There has been gathering concern in the Australian coal and iron ore industries about the Japanese steel industry and the Hamersley announcement reflects this.

But Hamersley's expansion plan to provide extra tonnages of iron ore to the Japanese steel industry in 1978 onwards is not affected, it included the construction for a maximum in the early months of next year.

Hamersley is at an advantage compared with some of the other steel producers in that a large portion of its sales go to Japan. It has achieved a degree of market diversification and has found customers in China and Korea.

The company did not mention any specific tonnage for its production cuts, but it is understood there have been no direct approaches about large scale reductions from Japanese customers.

The value nature of the company statement suggests that Japanese steel mills are worried about the general situation, but rather is marking time, waiting for the international steel market to show more vigour.

Fear of Japanese intentions, combined with election campaign difficulties, has not affected the steel industry's sluggish market on the Sydney stock exchange.

PRODUCTION HIT AT STILFONTEIN

In South Africa, the Anglo-American group's gold mines, Stilfontein, has suffered a production hit because of a fire in a high producing mine. Part of the mine was put out of commission by the fire, which now has started.

The fire started on December 9 and had an immediate effect on production, which has been cut to an average of 10,000 tonnes of milled ore a month. The mine does not maintain a stockpile. A spokesman said yesterday that an attempt would be made to increase production so that targets might be met.

The shares were down 7.5p yesterday.

MINING NEWS

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RESULTS AND ACCOUNTS IN BRIEF

SHAW AND MARVIN—Turnover for six months to September 30, 1977, £17.99m. Profit £2.74m (25.2%). Dividend £1.24m. Tax at £113,000 and an interim dividend of £1.24m. The current profit for the year to March 31, 1977, is £2.74m.

WINKELMAAK MINE—Results year to September 30, 1977 already known. Mining asset £1.21m. The current profit for the year to March 31, 1977, is £2.74m.

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Thomas Cook Bankers Thomas Cook Travellers Cheques The accepted name for money. Worldwide.

Profits 50% up, dividend covered 11 times, bonus 1 for 9 shares.

As the Annual General Meeting held on December 12, the Chairman Mr. Eric Stannow reported on the year ended June 30, 1977. PROFITS FUTURE £4,246,000 profit—an increase of £1,675,000 (50%).

Mixed finish after slow trading Dollar falls

BY OUR WALL STREET CORRESPONDENT

AFTER MODESTLY extending last Friday's rally, stocks on Wall Street today fluctuated in slow trading before finishing with mixed movements.

NEW YORK, Dec. 12

Speculation that little more verbal support for the U.S. dollar is likely to result from the central bankers meeting in Basle appeared to be the reason behind the U.S. currency's further decline in the foreign exchange market yesterday.

NEW YORK, Dec. 12

over was boosted by SHK25m, of-course trading by a leading broker in a variety of Blue Chips, but this had little effect on prices.

Dec. 12 Dec. 11

Table with columns for Dec. 12 and Dec. 11, listing various market indicators and values.

OTHER MARKETS

Canada reacts Canadian Stock Markets reacted in an active business yesterday, although Metals and Minerals showed resistance with a fresh advance in the afternoon.

OTHER MARKETS

AMSTERDAM—Market presented a mixed appearance after dull trading.

OTHER MARKETS

STOCKHOLM—Irregular, "Esele" was a bright spot at Kr202 up 6.

OTHER MARKETS

AGRICULTURE—Agriculture prices were mixed, with some gains in oilseeds.

INDICES

Table titled 'NEW YORK - DOW JONES' showing stock index data for Dec 12, 11, 10, 9, 8, 7, 6, 5, 4, 3, 2, 1.

INDICES

Table titled 'Rises and Falls' showing market movements for Dec 12, 11, 10, 9, 8, 7, 6, 5, 4, 3, 2, 1.

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OVERSEAS SHARE INFORMATION

Large table titled 'OVERSEAS SHARE INFORMATION' listing various international stocks and their prices across multiple columns.



GOLD MARKET

Table titled 'GOLD MARKET' showing gold prices for Dec 12 and Dec 11.

FOREIGN EXCHANGES

Table titled 'FOREIGN EXCHANGES' showing exchange rates for various currencies.

CURRENCY RATES

Table titled 'CURRENCY RATES' showing currency exchange rates.

EXCHANGE CROSS-RATES

Table titled 'EXCHANGE CROSS-RATES' showing cross-currency exchange rates.

EURO-CURRENCY INTEREST RATES

Table titled 'EURO-CURRENCY INTEREST RATES' showing interest rates for Euro-currency.

FORWARD RATES

Table titled 'FORWARD RATES' showing forward exchange rates.

AUSTRALIA

Table titled 'AUSTRALIA' showing Australian stock market data.

OSLO

Table titled 'OSLO' showing Oslo stock market data.

BRUSSELS/LUXEMBOURG

Table titled 'BRUSSELS/LUXEMBOURG' showing Brussels/Luxembourg stock market data.

PARIS

Table titled 'PARIS' showing Paris stock market data.

SWITZERLAND

Table titled 'SWITZERLAND' showing Swiss stock market data.

MILAN

Table titled 'MILAN' showing Milan stock market data.

VIENNA

Table titled 'VIENNA' showing Vienna stock market data.

COPENHAGEN

Table titled 'COPENHAGEN' showing Copenhagen stock market data.

STOCKHOLM

Table titled 'STOCKHOLM' showing Stockholm stock market data.

AGORA

Table titled 'AGORA' showing Agora stock market data.

SPAIN

Table titled 'SPAIN' showing Spanish stock market data.

SECURITIES RISK DISCOUNT

Table titled 'SECURITIES RISK DISCOUNT' showing risk discount rates.

ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the box office

OPERA & BALLET
ENGLADA ITALIAN OPERA
 Tonight & Fri. 7.30. Tomorrow 7.30. Grand Opera. 10.00. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.
COVENT GARDEN, CC. 240 1056.
 Monday 8.00. Tuesday 8.00. Wednesday 8.00. Thursday 8.00. Friday 8.00. Saturday 8.00. Sunday 8.00. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.

THEATRES
ELLE DE LUI. CC. 01-457 2801. Walker's Court, Brewer Street, W.1. Twice weekly 8.15 and 10.15.
 PAUL RAYMOND presents
 An erotic presentation in French d'opéra. Good-looking men and women perform various representations of the social act. Evening News. You may drink and smoke in the auditorium.
FORTUNE. 828 2328. Evening 8.00. Sat. 8.00. Sun. 8.00. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.
MURDER AT THE VICARAGE Third Street Year.
GARRICK THEATRE. 01-930 4601. By 8.00. Wed. 8.00. Sat. 8.15 & 9.50. MOGGIE FITZGERALD, JILL MARTIN, DAVID BIRTH and BOBBI EATON in the BRILLIANT MUSICAL
 "ENTERTAINMENT"
 SING OF SIDE BY SIDE
 "GO THREE TIMES." S. Garner, NY. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.
GLOBE, CC. 01-437 1522. Evening 8.15. Sat. 8.15 & 9.50. Mat. Wed. 8.00. Poul Edington, Amanda Barrie in the ENTERTAINING
 "GIDDY YEAR"
 MICHAEL JARVIS
 "THE BEST COMEDY OF THE YEAR"
GREENWICH THEATRE. 028 7733. Pev. 7.30. Opera 7.00. Sat. 7.00. Sun. 7.00. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.
HAYMARKET. 01-530 2822. Even. 7.45. Wed. 7.30. Sat. 7.30 & 8.15. S. Garner. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.
LONDON CASINO. 457 9977. Dec. 24. 10.30. 25. 8.00. 26. 8.00. 27. 8.00. 28. 8.00. 29. 8.00. 30. 8.00. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.
LONDON PALLADIUM. 01-437 1737. Opening May 22. FOR THE SUMMER SEASON. THE TWO COMEDIES.
 EDDY MCW. Theatre and Agents.
LYRIC THEATRE. 01-437 3968. Even. 8.0. Mat. 7.30. Sat. 8.00. Sun. 8.00. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.
MAYFAIR. 01-838 2036. Mon. to Thurs. 8.00. Fri. 8.00. Sat. 8.00. Sun. 8.00. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.
MAYFAIR. 01-838 2036. Mon. to Thurs. 8.00. Fri. 8.00. Sat. 8.00. Sun. 8.00. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.
ROYAL COURT. 720 1140. Last week. Mon. 8.00. Sat. 8.00 and 8.30. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.
ROYAL PATENT. 237 2584. Today, 7.30. Thurs. 7.30. Sat. 8.00. Sun. 8.00. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.
ROYAL THEATRE. 01-437 3968. Even. 8.0. Mat. 7.30. Sat. 8.00. Sun. 8.00. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.
THEATRE. 01-437 3968. Even. 8.0. Mat. 7.30. Sat. 8.00. Sun. 8.00. Tickets: 1st row of stalls, 10.00. Seats always available day of perf.

Danish electronics makers quick eye for an opening

By HILARY BARNES, Copenhagen Correspondent

ENTER ANY DANISH factory small inventive company can and it is probable that most of the machinery tools will be imported but all the ancillary electronic equipment will be Danish. Electronics is one of the biggest single export sectors of Danish industry, accounting for about seven per cent. of total manufacturing export revenue last year, a proportion exceeded only by clothing and textiles and machinery, according to Mr. Frede Ask, Director of the Association of Electronics Manufacturers.

This year, electronics exports will exceed 3bn. kroner for the first time (about £280m.) after increasing by between 12 and 13 per cent. in line with export growth in recent years.

The exceptionally large role played by electronics in the Danish manufacturing sector is partly explained by the fact that a large raw material input will have a relatively larger rule in Denmark than in countries with industries based on primary products. But the economic climate has been unusually favourable to the development of electronics.

There is a strong scientific tradition in electro-technical research, going back to H. C. Oersted, the Danish discoverer of electro-magnetism in the 1820's. The high general educational standards and a tradition of skilled craftsmanship in what used to be small-town trades provided the labour force of the right calibre, and the zest of the innovator in a young industrial country did the rest.

It seems, too, that electronics is an industry which is in some respects well-suited to a small country with small-scale industry. There are many products with which Danish manufacturers cannot compete, such as mass produced consumer goods and integrated circuits, a sector which means that in spite of the high level of electronic exports, Denmark nevertheless has a negative trade balance in electronic equipment.

The inability to produce some of the basic materials and equipment for electronics does not worry the Danes, however. Mr. Ask drew a parallel with the invention of the printing press. It deprived the monks of their hold on publishing, but enabled them to produce far more books than ever before. The production of integrated circuits has passed by the Danes, but the

policy made easier by the fact of the Disa which produces automated foundry equipment, and improved manufacturing facilities also characteristic of Danish policy, but not at the expense of financial contribution. Thirdly, from the its exporting days, Danfoss built up its own efficient and distribution and organisations abroad.

Like most Danish electronics manufacturers, Danfoss is concerned with components manufacture, and is highly orientated, exporting, on average, 80 per cent. of its output like many other firms. Danfoss has made its bid at the expensive end of the market where consumers are prepared to pay for the best in technical performance as well as superb design. B and O is Denmark's permanent representative at the New York Metropolitan Museum of Modern Art's sections for industrial design.

The concentration on the quality end of the market has enabled B and O to benefit from products which are not too sensitive in price and maintain a high value added, reducing the significance of high labour costs and increasing the importance of know-how.

Danfoss is not entirely typical of the electronics industry, differing both in size and product range from the average company, but it exemplifies many of the common characteristics of the industry in other ways.

Danfoss was started in 1933 to make refrigerator control equipment, but Meds Clausen, its founder and presiding genius until his death a few years ago, had an eye for new, but related, product areas. To-day, the company has three divisions: temperature control systems, the oil group making components for boilers and burners, and hydraulic control equipment (of the kind used on self-moving machinery), and compressors.

Danfoss strategy was outlined by Mr. H. Agerly, one of the three senior executives and manager of the compressor division. He stressed three points:

There is extensive investment in product development, in which pain is taken not only to identify the future needs of customers but also to ensure that new ideas are really relevant. A policy of re-investing virtually every Krona earned (2

Research

While companies of this size are able to support a substantial research budget, Danfoss has an organization which plays a vital support role. The Research Centre for Applied Electronics, a self-owning institution under the auspices of the Academy of Technical Science, has about 100 staff and is financed partly by public charges to the public.

The Centre's activities include circuit design, process materials technology, and mechanical testing. Its activities are designed to help firms in systems engineering problems assist them in selecting potentials and materials using the products and operations. Its facilities are open to any company for make use of them.



Singapore Airlines offers a daily 747B service from London; and more flights from more European cities to more destinations in the Middle and Far East, Australia and New Zealand than any other airline.

All with inflight service even other airlines talk about.

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Brazilian futures trade plan

By John Edwards, Commodities Editor. FUTURE COMMODITY markets for coffee, cotton and wheat in Sao Paulo, Brazil, planned to start trading early next year. A starting date of early February has been following the approval by Sao Paulo State authorities clearing-house company set by a group of 10 financial firms.

U.S. copper producer rise lifts London markets

BY JOHN EDWARDS, COMMODITIES EDITOR. COPPER PRICES advanced in the London Metal Exchange yesterday following news that Asarco, one of the leading U.S. producers, had raised its domestic price for copper cathodes by 2.50 cents to 82.50 cents a pound, effective immediately.

Buyers busy at London tea auction

DEMAND was strong at the London Tea Auctions yesterday. Assam varieties were especially popular. Early lots sold for 5p to 10p a kilo more than last week's closing prices. Early many ended the day 20p up.

Union urges end to Icelandic cod ban

BY RICHARD MOONEY. THE TRANSPORT and General Workers' Union has thrashed out with Icelandic representatives what it sees as a reasonable basis for the resumption of Icelandic fish landings at U.K. ports.

U.N. agricultural agency launched

Domitiek L. Coyle. ROME, Dec. 12. FORMERLY pledged companies from some 60 nations, including more than 100 from the International Fund for Agricultural Development (IFAD), will have its agricultural agency launched tomorrow.

Peak oil and meal yield forecast

WASHINGTON, Dec. 12. Mr. Holz said despite expectations of a strong rise in foreign demand for oilseeds and products in 1978, the sharp rise in production was likely to result in a significant surplus in oilseed and oil in the major producer-exporting countries.

Ireland earns more in U.K. beef market

BY OUR COMMODITIES STAFF. IRELAND'S BEEF exports to the U.K. this year will be worth twice as much as in 1976, according to Mr. Oliver Murphy of the Irish Livestock and Meat Board.

EEC farm price 'freeze' urged

BY MARGARET VAN HATTEM. BRUSSELS, Dec. 12. INITIAL BARGAINING positions for the EEC farm price review were sketched out here tonight with Mr. John Silkin, U.K. Minister for Agriculture, calling for an effective price 'freeze' on major farm products.

Commodity fund plea

BY OUR OWN CORRESPONDENT. GENEVA, Dec. 12. TO SPECIFIC issues. Mr. Holz said that the preliminary stage of analysis and get down to brief specific negotiations had to be completed.

Table with columns for COMMODITY MARKET REPORTS AND PRICES, listing various metals and their prices.

Table with columns for COFFEE, listing various coffee grades and their prices.

Table with columns for JUTE, listing various jute grades and their prices.

Table with columns for PRICE CHANGES, listing various commodities and their price movements.

ContiCommodity. THE LATEST UPDATE ON LEAD REPORT IS AVAILABLE - WRITE OR PHONE. ContiCommodity Services Limited, World Trade Centre, London E1 8AA.

Table with columns for GRAINS, listing various grain types and their prices.

Table with columns for SOYABEAN MEAL, listing various soyabean meal grades and their prices.

Table with columns for U.S. Markets, listing various U.S. market data.

COMPANY NOTICES. EUROFINMA. NIPPON CHEMICAL CONDENSER CO., LTD. (CDR). INTERNATIONAL BOND ISSUE.

Table with columns for SILVER, listing various silver grades and their prices.

Table with columns for SUGAR, listing various sugar grades and their prices.

Table with columns for WOOL FUTURES, listing various wool future contracts and their prices.

Table with columns for COCOA, listing various cocoa grades and their prices.

Table with columns for VEGETABLE OILS, listing various vegetable oil grades and their prices.

Table with columns for FINANCIAL TIMES, listing various financial data and indices.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

French paper industry to receive State aid

BY DAVID CURRY

PARIS, Dec. 12

THE FRENCH Government has unveiled its first package of aid for the loss-making paper and pulp sector. But the elaborate restructuring programme that was to go hand in hand with the finance has been almost entirely dropped.

from the official Economic and Social Development Agency which lends at 1 per cent below market rates—24 per cent at the present.

would bring together the consolidated subsidiary of St-Gobain and La Cellulose du Pin, the paper-making interests of the Beghin-Darblay and Ansead.

Wagons Lits sees good year

BRUSSELS, Dec. 12

CIE INTERNATIONALE DES Wagons Lits et du Tourisme SA said 1977 results will at least equal those of 1976, and will probably be higher, reports Reuters.

Industrie Pirelli

MILAN, Dec. 12

INDUSTRIE Pirelli SPA is negotiating the sale to the region of Lombardy of its 31 floor office headquarters in Milan to provide cash to finance investments in Italy, reports Reuters.

AMERICAN NEWS

Carter Hawley Hale in \$325m. bid

BY STEWART FLEMING

MARSHALL FIELD, the company which owns the largest department store in Chicago as well as stores in other parts of the U.S., today received a \$325m. cash and shares takeover offer from Carter Hawley Hale, one of the nation's largest retail stores groups, and best known for its Neiman-Marcus and Bergdorf-Goodman outlets.

It is also expanding nationwide, primarily under the Neiman Marcus name. Share analysts have been anticipating strong earnings growth from the group, which only a month ago closed the sale of its 20.5 per cent interest in the British House of Fraser group for \$78.8m.

Mr. Ford said that this would add 2.5m. square feet of floor space. He forecast worldwide sales of \$6.55m. cars and trucks for 1978, the same as expected for 1977.

GELCO profit growth GELCO CORPORATION reports record 8th quarter revenues and earnings. Net earnings for the three months ended October 31 were \$4.7m., or 79 cents per share, on revenues of \$88.6m.

Ford spending plans FORD MOTOR Company plans worldwide capital expenditures of \$2.5bn. in 1978, up 40 per cent over 1977, chairman Henry Ford II said in his year-end statement.

Mr. Ford said that this would add 2.5m. square feet of floor space. He forecast worldwide sales of \$6.55m. cars and trucks for 1978, the same as expected for 1977.

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SWISS NEWS

Landis & Gyr expects growth

BY JOHN WICKS

ZURICH, Dec. 12

SWISS electrical engineering concern Landis & Gyr hopes to book a further improvement in profits for the current financial year. In the staff magazine of present undertaking Landis & Gyr AG, Zurich, management president Gottfried Straub-Gyr says that the rise in group profits to Sw.Frs.41m. in the business period ended September 30 was gratifying but that the profits level was still unsatisfactory.

cent of production value. The chances for the group to improve profits in 1977-78 are improved by the need to save energy and rationalising the distribution of energy, according to Straub-Gyr. Operations in energy regulation and distribution are among the group's main activities. He also draws attention to replacement investments at least after years of limited capital expenditure.

30 per cent its shareholding in Saseo-Swiss International Corporation, a New York-based investment banking concern, reports John Wicks in Zurich. The Swiss bank already had voting control.

Credit Suisse purchase

CRÉDIT SUISSE, of Zurich, has increased from 25 per cent to 6.3 per cent of equity and 3.8 per

Associated Hotels

HONG KONG, Dec. 12

DESPITE lower operating profits, Associated Hotels is raising its dividend from 12 to 16 cents and also paying 4 cents cash bonus.

The final dividend is 8 cents compared to 6 cents

EUROBONDS No adverse effect from Shell issue

By Mary Campbell

TO THE SURPRISE of some dealers, the announcement of the Jumbo \$800m. issue for Shell did not have an adverse effect on secondary market prices in the U.S. dollar sector.

The main interest was in the floating rate note sector, where the \$75m. Hydrocarbons Bank (guaranteed by the Italian ENI) started trading. The initial reception was poor, having opened at about 97 1/2. It fell to 96 1/2 during the day before recovering a bit to 96 7/8 after a par pricing.

GERMAN NEWS

State denies doubts over West LB

BY JONATHAN CARR

THE GOVERNMENT of the State of North Rhine-Westphalia has firmly rejected any suggestion that it has doubts either about the soundness of the West-LB's German parent, the Westdeutsche Landesbank, or the extent of its activities abroad.

It is also denying that either the Cabinet or any other official State body has suggested that the regional associations should have their stake in the bank removed. This denial was conveyed in the Short-time working scheme which was planned in the semi-finished metal products sector — a major

Orders down at Diehl

By Guy Hawtin

THE DIEHL GROUP — the activities of which range from data systems through non-ferrous metals, to defence products — today declared that it was not prepared to make any firm forecasts for 1978.

Liebherr sees sales rise

FRANKFURT, Dec. 12

LIEBHERR, THE West German plant and machinery manufacturer, is expecting 1977 turnover to increase by the sale of a gross DM1.8bn. in 1977, Liebherr's group of totalled DM1.87bn.

JOHN WADDINGTON LTD INTERIM REPORT FOR THE HALF YEAR TO OCTOBER, 1977. Unaudited results for the 28 weeks ended 16th October, 1977. Sales 23,126, Profit before tax and depreciation on buildings 2,371, etc.

SELECTED EURODOLLAR BOND PRICES

Table with columns for STRAIGHTS, FLOATING RATE NOTES, CONVERTIBLES, and NOTES. Lists various bond types and their prices.

NORDIC COMPANIES

Pripps 15% gain is below forecast

BY WILLIAM DUFFORCE

PRIPPS, Sweden's largest brewery, reports pre-tax earnings of \$7.6m. (£7m.) for the financial year ending September 30. This represents an increase of almost 15 per cent over 1976.

markets and grocers, has not caught on. The total volume of sales has remained unchanged from the previous year at 450m. litres. Malt drinks increased by two per cent, while soft drinks declined by three per cent.

Okavo stake in Koverhar

By Lance Keyworth

OKAVO OY, the private iron and steel group in Finland, has come to an agreement with Stora Kopparbergs Bergslags of Sweden under which it will buy out the Swedish company's 50 per cent interest in Oy Koverhar.

THE PHILIPPINE INVESTMENT COMPANY

Net Asset Value as of November 30th 1977 U.S. \$3.86. Listed Luxembourg Stock Exchange.

THE CITY OF LONDON BUILDING SOCIETY One Hundred and Fifteenth Annual General Meeting held on Monday 12th December 1977. The Chairman of the Board, Mr. I.G. Kennington summarised the main features of the results of the year's activities as under:

Amro Bank in London: have you put us to the test yet? Amsterdam-Rotterdam Bank NV (Amro) is one of Holland's leading banks with total assets exceeding the equivalent of £2 billion.

J.P. WILSON

INTERNATIONAL FINANCIAL AND COMPANY NEWS

ISS CHEMICALS

All eyes on America

BY JOHN WICKS, IN ZURICH

RECENT months there has been a remarkable rush of Swiss chemical companies strengthening their stake in the U.S. market. American firms have taken over, existing capacities expanded, new plants put under construction and corporate earnings improved. Despite the jolting falling dollar, many are going all out to build up operating bases in the U.S.

controlling a well-known specialist (sales of \$81.6m. a year) company selling 43 per cent. of its products outside the U.S. market. This latter fact, incidentally, highlights the possibility of building up an export base in the U.S. Hoffmann-La Roche says that already U.S. affiliates deliver more to Europe than vice-versa.

Swiss chemical companies are expanding in the U.S. for any number of reasons. In the forefront is the enormous potential of the American market. Although the American economy may not be expanding as fast as had earlier been hoped, it is growing—and in certain areas growing substantially.

reasons for expanding in the U.S. are manifold. In the forefront is the potential of the American market. Although the U.S. may not be expanding as fast as had earlier been hoped, it is growing—and in certain areas growing substantially.

continuous and controlled administration of medication—health care is a field in which the Swiss industry is generally extremely interested.

The Sandoz concern came by a large stake in the American chemical business late last year when it took over Northrup King and Co. after already having bought up the Rogers Brothers seeds division in Idaho Falls.

expanded, a capacity for diagnostic aids was opened in Belleville in the same State and a multi-purpose fermentation unit was set up at Belvedere. First production has recently started at a pharmaceutical plant sited at Manati, Puerto Rico, while in Freeport, Texas, output should begin in 1981 at a multi-purpose unit for base products for vitamins and active agents; the foreseen for a vitamin A project which was subsequently abandoned. New vitamin C and vitamin B₆ capacities will run on at Belvedere in the same year.

Also in Texas, the Lonza division of the Zurich-based Alusuisse group is in the process of running on a plant for organic intermediates at Bayport. An Alrex foams facility is being built at the existing Mapleton works in Illinois, and will come on stream in mid-1978.

Ciba-Geigy has devoted between 20 and 25 per cent. of its group investments to North America in the past couple of years. Recently, work has taken place on herbicide capacities in McIntosh, Alabama, a new Sw.Frs.110m. hydrogen cyanide unit at St. Gabriel, Louisiana—production to go to herbicide manufacture—and in the chemical and pharmaceutical sectors, and in the Funk Seida operation (yet another acquisition) in Illinois.

Production will start towards the end of 1979 of a \$40m. chemicals and dyestuff plant of Sandoz at Allendale, SC, production to comprise initially ethylene oxide derivatives and dispersed dyestuffs for polyesters.

Hashihama assets frozen by court

MATSUYAMA, Dec. 12.

THE MATSUYAMA District Court has frozen the assets of Hashihama Shipbuilding Co. following the company's failure to secure financial support to honour bills due totalling about ¥2bn., a court spokesman told Reuters today.

The court spokesman said the freeze on assets followed an application by the company for court protection under Japan's corporate rehabilitation law.

Toyota home sales to rise

TOKYO, Dec. 12.

TOYOTA Motor Co. plans to sell 1.42m. vehicles on the domestic market next year, up 8.4 per cent. from an estimated 1.31m. this year.

AUSTRALIAN COMPANIES

ICI Australia 47% gain

BY JAMES FORTH

SYDNEY, Dec. 12.

ICI AUSTRALIA, local offshoot of the U.K. chemicals, plastics and textile group, boosted its profit 47 per cent. from \$21.1m. to \$31.1m. (£19.3m.) in the year to September 30. The result was a record and achieved on a sales increase of only 17.5 per cent. from \$244.5m. to \$275.8m.

Although consumer demand generally continued to be weak, improved demand from some industrial sectors enabled most of the company's plants to operate close to capacity.

because of slower growth in the mining and quarrying industries. Sales to the rural industry were adversely affected late in the year, due to unusually dry weather over a large part of Australia.

Marra must pay dividend

New Straits Times' issues

BY WONG SULONG

KUALA LUMPUR, Dec. 12.

THE NEW Straits Times, the largest newspaper chain in Malaysia, has announced a one-for-three bonus issue, and a one-for-one rights issue, although profits for the year to August are down.

increase the company's authorised capital from 20m. to 60m. ringgits.

Disposals by Allied Chocolate

BY H. F. LEE

SINGAPORE, Dec. 12.

ALLIED Chocolate Industries, a subsidiary of Allied Food Industries Far East of Hong Kong, has reached agreement to sell its shareholding in P.T. General Food Industries (GFI) of Indonesia and General Consolidated Company (GCC) of Hongkong to Indonesian shareholders of these companies.

while GCC is a general trading company, Allied Chocolate disclosed that the sale price of its investment in the two companies.

ISRAELI NEWS

ICC's larger stake

BY L. DANIEL

TEL AVIV, Dec. 12.

ICC HANDELS AG, a Swiss corporation wholly-owned by ICC Industries, an American concern, has purchased 658,026 Ordinary shares of Electrochemical Industries (Frutarom) of Acre for about \$8m., from the Israel Investors Corporation.

concluded an agreement with Baltimore Spire Company. It expects its exports next year to reach \$40m., mainly PVC and related products.

Air Malta profit

By Godfrey Gims

MALTA, Dec. 12.

DESPITE A stagnant market, Malta's National airline, Air Malta, made a taxed profit of \$350,000, enabling the company to declare the first dividend since its formation in 1973.

Mr. Mizzi told shareholders that while operating revenue were up by 23 per cent., costs had grown to \$268m., or by 23.1 per cent. last year.

Norsk Hydro a.s. U.S. \$50,000,000 7 1/8 per cent. Notes 1982. Issue Price 99 1/2 per cent. Interest payable annually on 1st December. Hambros Bank Limited, Swiss Bank Corporation (Overseas) Limited, Amsterdam-Rotterdam Bank N.V., Banque de Paris et des Pays-Bas, Credit Suisse White Weld Limited, Deutsche Bank Aktiengesellschaft, Den norske Creditbank.

Tampella Ab. US \$ 14,000,000. Medium term loan 1977-1984. Guaranteed by UNION BANK OF FINLAND LTD. KREDIETBANK S.A. LUXEMBOURGEOISE. UNION BANK OF FINLAND INTERNATIONAL S.A.

The Mitsui Bank, Limited. U.S. \$30,000,000. Three Year Eurodollar Floating Rate Certificates of Deposit. Hambros Bank Limited, Hambro-Mitsui Limited, Manufacturers Hanover Limited, Salomon Brothers International Limited. 33rd November, 1977.

STOCK EXCHANGE REPORT

Gilts up again but end below best on labour pointers Equity leaders lose early firmness—Index down 1.4 at 484.5

Account Dealing Dates

*First Declara- Last Account Dealing Dates... Nov. 28 Dec. 8 Dec. 9 Dec. 20 Dec. 12 Dec. 29 Dec. 30 Jan. 11 Jan. 3 Jan. 12 Jan. 24

British Funds

British Funds continued to lead stock markets into higher ground yesterday, but turned hesitant towards the close.

Long Gilts up again

A continuation of Friday's strong upward movement in long-dated British Funds caused in part by widespread demand attracted by the sector's favourable yield structure and the announcement that the top at this end of the market had run out.

Bank Ireland firm

Demand in a thin market prompted a rise of 20 to 345p in Bank of Ireland, which was the key three-month Treasury bill rate eased further yesterday.

Chemicals closed firmer

Chemicals closed firmer through-out. Coalite and Chemical, at 71p, recorded a Press-inspired rise of 3, while gains of 5 and 7 respectively were seen in Blagden and Noakes.

Thorn dull

Thorn, a poor market of late on evidence of reduced consumer spending and fierce competition in the electrical appliance field, continued dull at 352p, down 16.

Beecham rise

Helped by a broker's circular, Beecham featured the miscellaneous industrial leaders, and closed 9 higher at 667p.

Properties improve

Properties made another bright showing, although the close was generally below the best. Sentiment continued to be motivated by hopes of lower interest rates.

Uranium move ahead

A feature in mining markets was the strong demand for Australian uranium issues following last Saturday's re-election of the Liberal and National Country Party in the Federal election.

miners had threatened industrial action if area incentive schemes were introduced coupled with the Government's peace formula.

Early offerings on Australian arbitrage account forced rates for investment currency lower until a general reluctance to increase further in the absence of sufficient buying interest finally turned the offer in sympathy with the late easier tendency in the Funds in close with small losses on balance.

Minor assets improved a penny to 43p, after a recovery in the afternoon, while the other hand, had no such restriction and it was the strength here which enabled the Government Securities Index to put on 0.37 for a seven-day rise of 2.31, or 3.12, to 76.40.

A selective interest was shown in Buildings, Tunnel B put on 41 to 257p, and G. H. Downing were a like amount better at 21 1/2.

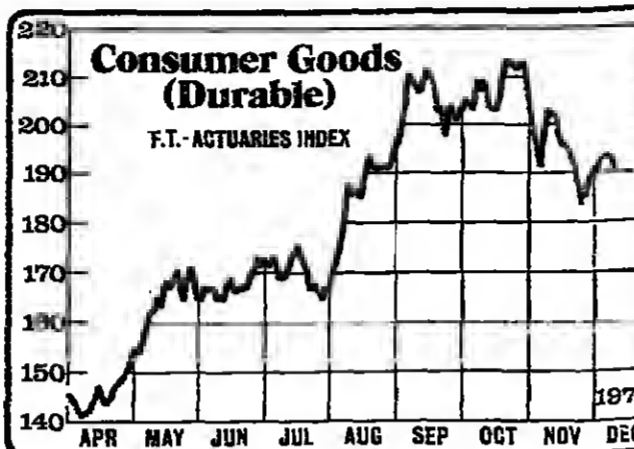
After last Friday's bout of nervous selling which was provoked by the company's dual pricing policy, the interim results are due on Thursday.

Leading Engineers ended on a quietly dull note. Hawker Siddeley gave up 4 at 182p, while losses of a few pence were established by Vickers, 17 1/2, J. Brown, 23 1/2, and Tubes, 53 1/2.

On 8th 134p, while Danish Bacon "A" moved up similarly to 120p in a restricted market.

Business in Oils was fairly small, British Petroleum moved narrowly and closed 8 off at 583p.

Activity in South African Golds was minimal. Prices were marked down at the outset of trading owing to the initial fall in the bullion price.



Consumer Goods (Durable) F.T.-ACTUARIES INDEX. The index shows a steady upward trend from approximately 140 in April to 220 in December 1977.

with a rise of 8 to 100p. Simon were favoured at 214p up 4, after 215p, along with Mogaeweese Bronze, a similar amount dearer at 640.

Among the few movers, while Wilson Bros, edged forward a penny to 53p in front of today's half-yearly results.

The Board's bearish remarks about John Waddington's 1978 prospects which accompanied the interim figures, caused a dip in the shares closed 22 down on the day at 230p.

Business in Oils was fairly small, British Petroleum moved narrowly and closed 8 off at 583p.

Uranium issues following last Saturday's re-election of the Liberal and National Country Party in the Federal election.

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FINANCIAL TIMES STOCK INDICES

Table showing stock indices for Dec 12 and Dec 9, including Government Sec., Fixed Interest, Industrial Ordinary, Gold Mines, etc.

HIGHS AND LOWS S.E. ACTIVITY

Table showing high and low values for various stock indices and S.E. activity.

OPTIONS TRADED

Table detailing options traded, including deal dates, last deals, and settlement dates.

NEW HIGHS AND LOWS FOR 1977

Table listing new highs and lows for 1977 across various sectors like Electricals, Shipbuilding, etc.

RISES AND FALLS YESTERDAY

Table showing rises and falls in stock prices yesterday across various categories.

APOLLO Edited by Denys Sutton. The world's leading magazine of Arts and Antiques. Published Monthly price £1.50 Annual Subscription £21.00 (inland) Overseas Subscription £24.00 USA & Canada Air Assisted £48.

FINANCIAL TIMES BRACKEN HOUSE, 10 CANNON STREET, LONDON EC4A 3DF. Telephone: 01-544 3908. For Share Index and Business News Summary in London, Birmingham, Liverpool and Manchester. Tel: 246 8896.

ACTIVE STOCKS

Table of active stocks including BATs, ICI, BP, Beecham, etc. with columns for Stock, Denomina-tion, Closing price, Change, 1977 high, 1977 low.

RECENT ISSUES

Table of recent issues including EQUITIES and FIXED INTEREST STOCKS.

Table of recent issues including EQUITIES and FIXED INTEREST STOCKS.

"RIGHTS" OFFERS

Table of rights offers including stock details and offer terms.

FT—ACTUARIES SHARE INDICES

Large table of FT—Actuaries Share Indices, including Equity Groups and Fixed Interest Price Indices with various sub-sections and performance metrics.



AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Table of authorised unit trusts including categories like 'The British Life Office Ltd', 'British Overseas Airways Corp', and 'British Shipways Ltd'.

Table of offshore and overseas funds including categories like 'Fidelity Invest. & Mgt. (Bridg.) Ltd.', 'Kemp-Coo Management Jersey Ltd.', and 'Save & Prosper International'.

CLIVE INVESTMENTS LIMITED. Royal Exchange Ave., London EC3V 3JL. Tel: 01-235 1101. Clive Fixed Interest Capital 130.55. Clive Fixed Interest Income 123.05.

BASE LENDING RATES. Table with columns for bank names (e.g., B.N. Bank, Irish Bank) and their respective lending rates.

BASE LENDING RATES. Table with columns for bank names (e.g., Hill Samuel, Co. Hoare & Co., Julian S. Hodge) and their respective lending rates.

The war that never ends. We British are a peaceful people. When a war is over we like to consign it to the history books—and forget it. Both for some and from lesser campaigns, now all too easily forgotten; the widows, the orphans and the children—for them their war lives on, every day and all day. In many cases, of course, there is help from a pension. But there is a limit to what any Government Department can do. This is where Army Benevolent steps in. With understanding. With a sense of urgency... The Army Benevolent Fund for soldiers, ex-soldiers and their families in distress. Dept. Ft., Duke of York's HQ, London SW3 4SP.

INSURANCE, PROPERTY, BONDS

Table of insurance, property, and bond offerings from various companies like Abbey Life Assurance Co. Ltd., Credit & Commerce Insurance, and M & G Group.

NOTES. Prices do not include premium, charges when indicated, and are in pounds unless otherwise stated. All figures are shown in sterling unless otherwise stated. Yield and interest rates are shown unless otherwise stated. All figures are shown in sterling unless otherwise stated. Yield and interest rates are shown unless otherwise stated.

FOR YOUR COMPANY- BAD DEBTS ELIMINATED



BRITISH FUNDS

Table of British Funds with columns for Name, Stock Price, and other financial details.

Table for "Shorts" (Lives up to Five Years) listing various financial instruments and their prices.

Table for Five to Fifteen Years listing financial instruments and their prices.

Table for Over Fifteen Years listing financial instruments and their prices.

Table for Undeclared listing financial instruments and their prices.

Table for INTERNATIONAL BANK listing bank names and their stock prices.

Table for CORPORATIONS LOANS listing loan details and interest rates.

FT SHARE INFORMATION SERVICE

AMERICANS-Continued

Table of American Stocks listing company names and their stock prices.

CANADIANS

Table of Canadian Stocks listing company names and their stock prices.

BANKS AND HIRE PURCHASE

Table of Banks and Hire Purchase listings with company names and prices.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth and African Loans listing loan details.

LOANS

Table of various Loans listing details and interest rates.

BEERS, WINES AND SPIRITS

Table of Beers, Wines, and Spirits listings with company names.

AMERICANS

Table of American Stocks (repeated section).

BUILDING INDUSTRY-Cont

Table of Building Industry Stocks listing company names and prices.

CHEMICALS, PLASTICS

Table of Chemicals and Plastics Stocks listing company names.

CINEMAS, THEATRES AND TV

Table of Cinemas, Theatres, and TV listings with company names.

DRAPERY AND STORES

Table of Drapery and Stores listings with company names.

AMERICANS

Table of American Stocks (repeated section).

BUILDING INDUSTRY, TIMBER AND ROADS

Table of Building Industry, Timber, and Roads listings with company names.

AMERICANS

Table of American Stocks (repeated section).

DRAPERY AND STORES-Cont

Table of Drapery and Stores Stocks listing company names and prices.

ELECTRICAL AND RADIO

Table of Electrical and Radio Stocks listing company names.

ENGINEERING MACHINE TOOLS

Table of Engineering Machine Tools listings with company names.

AMERICANS

Table of American Stocks (repeated section).

ENGINEERING

Table of Engineering Stocks listing company names.

AMERICANS

Table of American Stocks (repeated section).

AMERICANS

Table of American Stocks (repeated section).

ENGINEERING-Continued

Table of Engineering Stocks (continued) listing company names and prices.

AMERICANS

Table of American Stocks (repeated section).

AMERICANS

Table of American Stocks (repeated section).

AMERICANS

Table of American Stocks (repeated section).

AMERICANS

Table of American Stocks (repeated section).

AMERICANS

Table of American Stocks (repeated section).

AMERICANS

Table of American Stocks (repeated section).

HOTELS-Continued

Table of Hotels listings with company names and stock prices.

INDUSTRIALS (Miscel)

Table of Industrial (Miscellaneous) listings with company names and stock prices.

HOTELS AND CATERERS

Table of Hotels and Caterers listings with company names.

Handwritten signature: J. J. J.

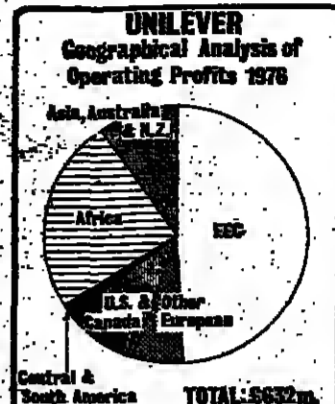


Relative Strength... CHART ANALYSIS LIMITED

THE LEX COLUMN

Unilever: a stiff price for starch

Index fell 1.4 to 484.5



Although equities remained listless the gilt-edged market moved ahead yesterday for the seventh consecutive day and is now back where it was before...

Unilever

These are two important questions to be asked about Unilever's £485m. agreed bid for National Starch and Chemical Corporation...

floating rate issues in the rapidly. Yesterday, Unilever launched a £12m. issue which, apart from the interest rate payments identical to earlier issues...

that if multinational groups continue to readjust their portfolios in favour of America at anything like the present rate...

Polish ships

Yesterday's Commons' debate does not seem to have shed much light on the more important aspects of the controversial £115m. Polish ship-building deal...

BITs

'Not counting the daily drabs still to come in floating bank branches Black Diamonds Pension has mutated just over 75 per cent of British Investment Trust...

Local authorities

After some initial hesitation the market in local authority...

National Freight £53m. debts will be written off

BY DAVID FREUD, INDUSTRIAL STAFF

THE GOVERNMENT is to write off more than a third of the loss-making National Freight Corporation's capital debt.

Mr. Rodgers said that a £15m. grant would be given to National Carriers which hopes to break even this year to meet its capital requirements until 1981.

Varley questions pay bargaining

BY ALAN PIKE, LABOUR CORRESPONDENT

A CALL for an examination of alternatives to unconditional free collective bargaining was made yesterday by Mr. Eric Varley, Industry Secretary.

The debate on long-term pay determination, initiated recently by the Chancellor, will figure in discussions between ministers and union leaders in the New Year and can be expected to be taken up at trade union conferences in the spring.

Mr. Varley said yesterday that he was "not a fan" of free collective bargaining in the sense that it sometimes meant hardship.

"If we are operating in circumstances where we have not got a totally free marketing situation, and if we are taking steps to help companies and industries, we must find some method of dealing with wages."

All this must be taken into account when discussing a return to free collective bargaining, he said.

£320m. fuel saving campaign launched

BY RAY DAFTER, ENERGY CORRESPONDENT

THE Government has launched a £320m. energy conservation programme which could lead to fuel savings worth about £700m. a year within a decade.

The programme will be concentrated in the public sector. Mr. Anthony Wedgwood Benn, Energy Secretary, said yesterday that industry and private home owners should recognise the benefits of conservation...

As part of the 11-point package the Government is to hold further talks with the motor industry in an effort to reduce average petrol consumption.

By 1985, it is thought, most family cars should be able to do at least 35 mpg.

Mr. Benn pointed out that the total expenditure £16.5m. would be a new allocation of public funds; £8m. would come from the reallocation of existing Government funds...

The investment will be made over four years, although a new set of measures is expected to follow.

A new energy conservation division is being established within the Energy Department.

The Department said yesterday that there was no legal requirement to submit additional copies of its reports to anyone other than the company investigated.

Dollar support 'not justified'

BY ROBERT MAUTNER

THE WORLD'S leading central bankers concluded the first day of their two-day meeting here without any specific agreement on concerted support for the U.S. dollar.

Though there appeared to be consensus among European bankers at least that the U.S. should intervene more energetically on the markets to bolster its currency, it was felt that this might be impossible in the present domestic American political climate.

The views expressed by the Europeans, including a suggestion that the U.S. might activate existing swap lines with West Germany and possibly Switzerland...

The U.S. current account deficit was caused mainly by the country's large oil imports and the comparatively high growth rate of the economy.

Christmas shoppers make slow start

BY ELMOR GOODMAN AND PETER RIDDELL

SPENDING in shops fell slightly in November for the third month running, but trade reports suggest business has improved in the last few weeks.

Table with 3 columns: Year, Month, Retail Sales Volume (1971=100, seasonally adjusted)

General feeling in the trade appears to be that Christmas will be good, possibly a little better than last year.

During November the volume of retail sales was 105 (1971=100) compared with 106.5 in the previous month...

The spending level appears to have fallen in the autumn—down nearly 4 per cent—on a three-month comparison...

Last year Christmas buying started unusually early in November as people tried to anticipate a possible VAT increase in the mid-December package.

This year the pattern has been more normal with no increase until the last week of November.

The recent improvement is highlighted by the Retail Distributors Association, which says the figures of most week before Christmas is a six-department store groups.

Public spending watchdogs miss vital session

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE MUCH-HERALDED attempt by the House of Commons to assert more control over public spending resulted in a fiasco last night when a public session of an important committee had to be abandoned because only two out of the regular members turned up.

This comes just a week after the Commons debate on the Fay report on the Crown Agents when there was general agreement on both sides about the need for much greater scrutiny by Parliament over public spending.

The general sub-committee of the Expenditure committee had yesterday been due to hear evidence from five senior Treasury and Inland Revenue officials on the presentation and content of the annual spending White Paper.

The normal quorum is three, but only Mr. Michael English, the Labour chairman of the sub-committee, and Mr. John Love-

sorting out Heathrow

WORK HAS started on reducing congestion at the central terminal area of Heathrow airport, now dealing with about 12m. vehicles a year.

Six months' work by Tarmac Construction on remodeling the foreground of terminal two will bring a bigger setting-down area on which coaches, taxis and private vehicles will be segregated.

Weather

U.K. TO-DAY DRY, sunny intervals. Mid. London, S.E. England, E. Anglia, Cent. S. England, Midlands, E. England, Channel Islands, Cent. N. England, N.E. England, Borders Edinburgh and Dundee area. Aberdeen area. Dry, sunny periods. Max. 10C (50-62F).

BUSINESS CENTRES

Amsterdam, C 10 46; London, C 10 46; Paris, C 10 46...

HOLIDAY RESORTS

Barcelona, C 10 46; Rome, C 10 46; Athens, C 10 46...

Outlook: Mostly dry, sunny intervals. Occasional rain in N. Temperatures near normal.

Bright intervals. Occasional light rain. Max. 9-10C (48-50F).

Outlook: Mostly dry, sunny intervals. Occasional rain in N. Temperatures near normal.

Auditors hit back at official report

BY MICHAEL LAFERTY

SIR CHARLES HARDIE'S accounting firm Dixon Wilson, yesterday complained about criticisms of it to be published today in a Department of Trade report on London Capital Group, one of whose former chairmen was Mr. John Stonehouse.

Dixon Wilson said, "It is outrageous that professional firms and other qualified bodies should have no opportunity to meet such criticisms until after they have been published."

The firm, auditors of London Capital Group during the period subject to DoT investigations, called for a major change in the handling of reports by the Department's inspectors.

"This appears to be yet another occasion where inspectors appointed by the Department, acting in a non-judicial capacity but with the benefit of qualified advice, are asked to make damaging remarks about professional firms and persons without there being an satisfactory method of rebuttal.

Severe

Dixon Wilson's statement came after a report in yesterday's Financial Times that the inspectors' report on London Capital Group would contain severe criticisms of the firm and Sir Charles Hardie, its senior partner, particularly in relation to the 1973 accounts.

Although unable to obtain an advance copy of the inspectors' report, Dixon Wilson said it understood that the inspectors' criticism of the firm's accounts, when no question of irregularity had emerged.

The investigation went on to appraise its action in 1974, when it discovered the transactions which became the subject of investigation.

The Department said yesterday that there was no legal requirement to submit additional copies of its reports to anyone other than the company investigated.

land, met with some sympathy from representatives of the U.S. Federal Reserve Board and the New York Fed.

In the absence of any representatives of the U.S. Treasury, however, the central bankers recognised that a decision of this kind could not be taken in the Basle forum, since it was essentially a political nature.

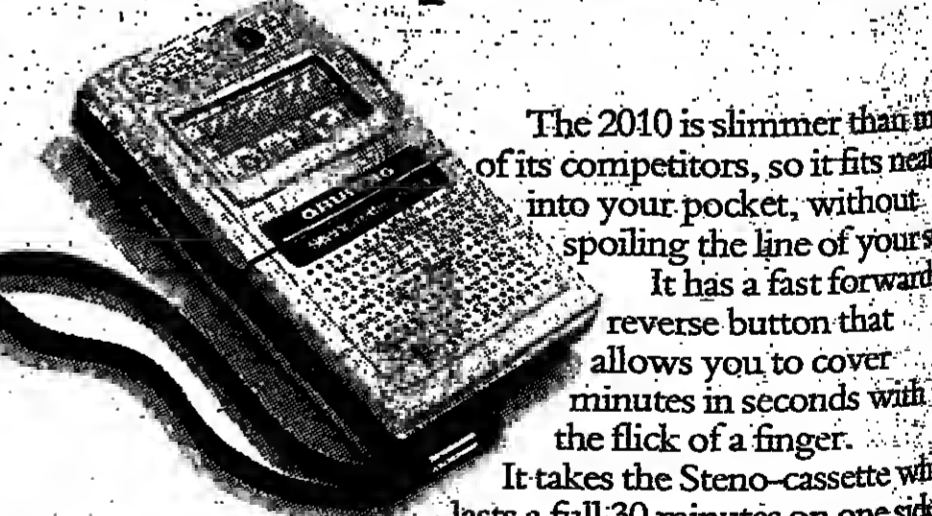
The U.S. representatives stressed that there was no real justification for massive intervention to halt the slide of the dollar on the exchange markets.

The U.S. current account deficit was caused mainly by the country's large oil imports and the comparatively high growth rate of the economy.

Had suffered no real loss of world market shares and capital inflows had largely offset the trade deficit.

A concerted support operation was dangerous to the extent that it would give the foreign exchange markets the impression that there was a fundamental reason for the sharp fall of the dollar against the stronger currencies.

The new Grundig Stenorette 2010. It leaves our competitors lost for words



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